A HISTORY OF THE
RECIPROCAL TRADE AGREEMENTS ACT OF 1934

by

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PREFACE

In the early 1930's the world was suffering from the most severe depression of all times. A principal reason for this condition was the stoppage of world trade because of the high tariff walls which each nation had built up against the others. The United States initiated this movement when, refusing to recognize her responsibility as a creditor nation following the first war, she passed the Fordney-McCumber Tariff Act in 1922 and followed it with the Hawley-Smoot Act of 1930. The purpose of this study is to indicate the situstion brought about by this policy as a background for the Reciprocal Trade Agreements Act of 1934, to present a legislative history of the Act of 1934, and its subsequent extensions and modifications, and to demonstrate how the reciprocal trade agreements program has functioned to remove barriers to international trade with consequent increases in the foreign trade of the United States.

I wish to acknowledge my indebtedness and deep gratitude to Dr. Verne S. Sweedlun of the Department of History and Government for his patient guidance in the preparation of this paper; to Mrs. Evolyn Rees for making the chart and graphs; and especially to my mother for making this year of study possible.

TABLE OF CONTENTS

		Page
PREFACE	. . . .	ii
CHAPTER I	BACKGROUND OF THE RECIPROCAL TRADE AGREEMENTS ACT OF 1934	1
CHAPTER II	EVENTS LEADING TO THE RECIPROCAL TRADE AGREEMENTS ACT OF 1934 . . .	42
CHAPTER III	LEGISLATIVE HISTORY, ADMINISTRATIVE ORGANIZATION, AND APPLICATIONS OF THE RECIPROCAL TRADE AGREEMENTS ACT OF 1934 .	65
CHAPTER IV	EXTENSIONS AND MODIFICATIONS OF THE RECIPROCAL TRADE AGREEMENTS ACT OF 1934	103
REFERENCES	. . . .	114
APPENDIX	. . . .	119
Public--No. 316--An Act to Amend the Tariff Act of 1930		120
Public Law 130--An Act to Extend the Authority of the President under Section 350 of the Tariff Act of 1930, as amended, and for other Purposes		125

TABLES

		Page
Table 1.	Decline of world trade	22
Table 2.	Decline of wealth and income of the United States	22
Table 3.	Value of United States exports affected by the Canadian Tariff of 1930 . .	31
Table 4.	United States trade with Canada, 1929-1932	32
Table 5.	Spain's total imports of passenger automobiles compared with imports from the United States	38
Table 6.	Trade agreements signed	86
Table 7.	Number of countries granting concessions on important groups of products exported from the United States	91
Table 8.	Number of rates reduced and number of rates bound by trade agreements and in effect on January 1, 1945	94
Table 9.	Percentage of United States trade with agreement countries	100

FIGURES

Fig. 1.	Decline of the farmer's gross income, 1919-1932	19
Fig. 2.	Decline of world trade, 1929-1934 . .	26
Fig. 3.	Decline of United States trade, 1929-1934	26
Fig. 4.	Decline of world trade, 1929-1939 . .	99
Fig. 5.	Decline of United States trade, 1929-1939	99

YEA AND NAY VOTES

Senate Vote on the Tariff Bill of 1930 . . . 7

Analysis of the Senate Vote on the Tariff Bill of 1930 9

House Vote on the Tariff Bill of 1930 . . . 10

Senate Vote on the Reciprocal Trade Agreements Act of 1934 68

House Vote on the Reciprocal Trado Agreements Act of 1934 69

Senate Vote on the 1945 Extension of the Reciprocal Trade Agreements Act 107

House Vote on the 1945 Extension of the Reciprocal Trade Agreements Act 108

Comparison of Senate Vote by sections of the Country on the Tariff Act of 1930 and the Reciprocal Trade Agreements Acts of 1934 and 1945 . . . 109

Summary of Senate Vote by sections of the Country on the Tariff Act of 1930 and the Reciprocal Trade Agreements Acts of 1934 and 1945 . . . 110

Comparison of tho House Vote by political parties on the Tariff Act of 1930 and the Reciprocal Trade Agreements Acts of 1934 and 1945 . . . 111

Summary of the Houso Voto by political parties on the Tariff Act of 1930 and the Reciprocal Trade Agreements Acts of 1934 and 1945 . . . 112

The Trade Agreements Organization . . . 76

CHAPTER I

BACKGROUND OF THE RECIPROCAL TRADE AGREEMENTS ACT OF 1934

The most difficult problem of readjustment within the United States following the first World War was that of furnishing relief to the farmers. In 1920-21 the prices of corn, wheat, and pork fell so low that it was impossible to meet the costs of labor, seed, and capital investment. The 1913 dollar of the farmer had a purchasing power of $1.29. By the close of 1921 its purchasing power had fallen to $0.70. In the autumn of 1922 a given unit of farm products could be exchanged for only about two-thirds as much in other commodities as when Wilson took office. Taxes, interest rates, transportation, and labor costs were higher. In most states the taxes on farm land doubled and a survey of the Midwest showed that the average tax of $112 per farm in 1913 had risen to $253 in 1921.

In the campaign of 1920 the Republicans promised to abolish the Underwood Tariff. The Emergency Tariff Act was passed in 1921. It placed high duties on wheat, corn, meat, sugar, wool, and other farm products. The Fordney-McCumber Act which was passed in 1922 continued these high rates or increased them and added high tariffs on manufactured goods,

including dyes, chemicals, glassware, earthenware, cutlery, yarns, and woolen goods. These rates were particularly high on dyes and chemicals in which a new war time industry had developed. Lumber and potash were left on the free list for the benefit of the farmer, but pig iron, iron and steel manufacturers, and hemp were placed on the dutiable list.

The flexible clause in the Fordney-McCumber Tariff provided that upon complaint of a duty's being either excessive or inadequate the Tariff Commission might investigate, and the President, upon its recommendation, might raise or lower the duty by a maximmm of fifty percent. Articles could not be transferred from the free to the dutiable list, nor vice versa, nor could the type of tariff be changed. This was the first appearance upon the statute books of the statement that the principle underlying our tariff system was that of equalizing the cost of production. It was never used to lower any important duties, but President Coolidge repeatedly used it to increase rates. Percy Wells Bidwell says:[1]

> In eight years rates were decreased by the President's proclamation on six commodities. The value of these imports in 1929 was only $7,689,000 or ½ of 1 percent of total dutiable imports.
>
> There were 33 raises in rates. The 1929 value of imports affected was $78,500,000. Plate glass, window glass, linseed oil, butter, and cheese were among the increases.

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[1] Percy Wells Bidwell, "The New American Tariff: Europe's Answer," Foreign Affairs, 9: 16 (October, 1930).

The farm bloc in Congress secured the passage of several farm relief measures. The Capper-Volstead Act legalized and regulated the cooperative marketing bodies. An amendment to the Federal Reserve Act provided for representation of the farm interests on the Federal Reserve Board. The Packers and Stock-yards Act placed the packing business under the supervision of the Secretary of Agriculture. The War Finance Corporation made $432,000,000 available for farm loans. The Agricultural Credits Act of 1923 made credits more easily available to farmers.

These measures did not stop the farm depression. The chief losses of the western farmer were due to his heavy export surpluses of wheat, pork, and other staple commodities, so that the prices were fixed in the world market and not in the domestic market. The farmers, seeking the equivalent of the tariff aid given the manufacturers, asked the government to buy the surpluses, so that home supply and home demand would be balanced and the farmers would get a price for their products, which would be roughly equivalent to the world price plus the tariff rate. This demand was embodied in the McNary-Haugen Bill which provided for a "stabilization fund" to be supplied by an equalization fee. President Coolidge's veto of the bill pushed the farm relief problem into the Hoover administration.

In the campaign of 1928 the Republican party met the demand for further farm relief by pledging itself to an upward revision of the tariff for agriculture and for certain indus-

tries. Mr. Hoover declared that the tariff was the foundation of farm relief and that the farmer had never been so dependent upon tariff protection as he was at that time. The Republican platform declared that high tariff was a fundamental principle of the economic life of the nation, under which the standard of living of the American people had been raised to the highest levels ever known.

The Republicans claimed that the Tariff Act of 1922 had justified itself. The basis of this claim was the fact that the dominant exports had increased from 3.8 billions in 1922 to 4.8 billions in 1927, and imports had increased from 3.1 billions to 4.4 billions in 1927.[2] They also insisted that since the tariff had not been revised since 1922, a period of eight years during which new conditions and new industries had arisen, it was time for revision. This was the longest period for any American tariff to remain unrevised except the Underwood Act which had been passed just before the War.

The Democratic Party declared that it would base its tariff legislation on "the maintenance of legitimate business and a high standard of wages for American labor."[3] They proposed to increase the purchasing power of wages by reducing the monopolistic and extortionate tariff rates imposed in such

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2 "Reasons for Present Tariff Revision," Congressional Digest, 8: 172 (June-July, 1939).

3 Ibid.

cases as those protecting the aluminium trust, and further, to safeguard the public against monopolies created by special tariff favors.

Immediately after his inauguration in March, 1929, President Hoover called a special session of Congress to revise the tariff as promised in the campaign pledges. By this time both parties realized that it was necessary to do something to alleviate the distress of the farmers. The Republicans, as the majority party, undertook the preparation of the new bill. Since it was a money bill, the hearings were held before the Ways and Means Committee of the House. In December, 1928, this Committee was divided into subcommittees with a Republican member designated as chairman of each one. A definite schedule was assigned to each chairman so that prior to and during the hearings each such member knew the particular work for which he was to be held responsible. Experts of the Tariff Commission attended hearings when schedules with which they dealt were up for consideration. They briefed the hearings for the subcommittees and also met with these committees which began their work immediately after the conclusion of the general hearings. Assistance was also given to the subcommittees by the Departments of Justice, Treasury, Agriculture, and Commerce, as well as by officials of the Government who were experienced in the actual work of handling customs matters.

As the subcommittees finished their work, the 15 chairmen

met in executive sessions and heard proposals and subjected them to inquiry and to questioning and later to fuller re-examination.

Neither foreign officials nor nationals were heard but written protests of foreign governments were submitted through the State Department and were made a part of the record. Aliens who were doing business here were heard.

The bill was reported from the Committee to the House on May 9, 1929, from where it was sent to the Senate on May 29. It passed through much the same procedure in the Senate Finance Committee, went to the Senate on March 24, 1930, with some changes, and was sent to the Conference Committee, composed of five members of the Ways and Means Committee and five members of the Finance Committee. After revision in this committee the measure was again passed by both the House and the Senate.

There had been little discussion in either house on the principles of international trade and general tariff policy. No clearly defined lines of cleavage developed between those who favored a high tariff and those who favored a low one. The bill was passed, and some schedules were changed, not in response to popular demand, but because of the efforts of pressure groups. The industrial or sectional interests represented were the principal influence deciding which way a Congressman or Senator would vote.

In the Senate where discussion was longest the tariff

bill in its final form passed by a majority of only two votes. Eleven Republicans voted against the bill, and five Democrats for it. The vote against the bill was in part a protest against the high rates imposed on several products, but not entirely. Some voted against it because the provision for export debentures which had been a part of the original Senate bill and to which the President was opposed, had been eliminated, and others for reasons unconnected with high duties.[4]

Senate Vote on the Tariff Bill of 1930[5]

Yeas--44

Republicans--39

Allen	(Kansas)	Kean	(New Jersey)
Baird	(New Jersey)	Keyes	(New Hampshire)
Bingham	(Connecticut)	McCulloch	(Ohio)
Capper	(Kansas)	McNary	(Oregon)
Couzens	(Michigan)	Metcalf	(Rhode Island)
Dale	(Vermont)	Oddie	(Nevada)
Deneen	(Illinois)	Patterson	(Missouri)
Fess	(Ohio)	Phipps	(Colorado)
Gillett	(Massachusetts)	Reed	(Pennsylvania)
Glenn	(Illinois)	Robinson	(Indiana)
Goldsborough	(Maryland)	Shortridge	(California)
Greene	(Vermont)	Smoot	(Utah)
Grundy	(Pennsylvania)	Steiwar	(Oregon)
Hale	(Maine)	Sullivan	(Wyoming)
Hastings	(Delaware)	Thomas	(Idaho)
Hatfield	(West Virginia)	Townsend	(Delaware)
Hobert	(Rhode Island)	Vandenberg	(Michigan)
Johnson	(California)	Walcott	(Connecticut)
Jones	(Washington)	Waterman	(Colorado)

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[4] A. Berglund, "The Tariff Act of 1930," American Economic Review, 20: 477 (September, 1930).

[5] Congressional Record, 72:10634, 71 Congress, 2 Session, June 9-21, 1930.

Democrats--5

Broussard	(Louisiana)	Kendrick	(Wyoming)
Fletcher	(Florida)	Ransdell	(Louisiana)
		Trammell	(Florida)

Nays--42

Republicans--11

Blaine	(Wisconsin)	McMaster	(South Dakota)
Borah	(Idaho)	Norbeck	(South Dakota)
Brookhart	(Iowa)	Norris	(Nebraska)
Frazier	(North Dakota)	Pine	(Oklahoma)
La Follette	(Wisconsin)	Schall	(Minnesota)
Howell	(Nebraska)		

Democrats--30

Ashhurst	(Arizona)	Heflin	(Alabama)
Barkley	(Kentucky)	McKellar	(Tennessee)
Black	(Alabama)	Overman	(North Carolina)
Bratton	(New Mexico)	Pittman	(Nevada)
Brock	(Tennessee)	Robinson	(Arkansas)
Caraway	(Arkansas)	Sheppard	(Texas)
Connally	(Texas)	Simmons	(North Carolina)
Copeland	(New York)	Stephens	(Mississippi)
Dill	(Washington)	Swanson	(Virginia)
George	(Georgia)	Thomas	(Oklahoma)
Glass	(Virginia)	Tydings	(Maryland)
Harris	(Georgia)	Wagner	(New York)
Harrison	(Mississippi)	Walsh	(Massachusetts)
Hawes	(Missouri)	Walsh	(Montana)
Hayden	(Arizona)	Wheeler	(Montana)

Farmer-Laborer--1

Shipstead--Minnesota

Pairings

For the Conference Reports--Cutting (New Mexico), Goff (West Virginia), Gould (Maine), Moses (New Hampshire, Watson (Indiana), Republicans.

Against the Conference Reports--Nye (North Dakota, Republican; Blease (South Carolina), King (Utah), Steck (Iowa), and Smith (South Carolina), Democrats.

Analysis of the Senate vote shows that the Hawley-Smoot bill was passed by a combination of the industrial Northeast, Middle Atlantic, and Great Lakes States, in the main, against a strong combination of agricultural South and Middle Western farm States.[6]

Analysis of the Senate Vote on the Tariff Bill of 1930

The distribution of votes (including pairs) by sections of the country was as follows:

	For	Against
6 New England States--Maine, New Hampshire, Vermont, Massachusetts, Connecticut, and Rhode Island	11	1
6 Middle Atlantic States--New York, Pennsylvania, New Jersey, Maryland, Delaware, West Virginia . . .	9	3
4 Lake States--Ohio, Indiana, Illinois, Michigan	8	0
13 Southern States--Virginia, North Carolina, South Carolina, Georgia, Florida, Mississippi, Alabama, Texas, Arkansas, Oklahoma, Kentucky, Tennessee, Louisiana	5	21
8 Middle Western Farm States--Wisconsin, Minnesota, Iowa, Missouri, Kansas, Nebraska, North Dakota, South Dakota	3	13
6 Inter-Mountain States--Montana, Wyoming, Colorado, Utah, Idaho, Nevada .	7	5
2 Southwestern States--Arizona, New Mexico	1	3
3 Pacific Coast States--California, Oregon, Washington . . .	5	1

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[6] New York Times, June 14, 1930.

House Vote on the Tariff Bill of 1930[7]

For Acceptance,	222
Republicans,	208
Democrats,	14
Against,	153
Democrats,	132
Republicans,	20
Farmer-Laborer	1
Pairs	
For,	23
Against,	23
Not voting or absent,	8

Mr. Hawley, in his majority report of the House Ways and Means Committee, stated that our domestic trade produced about 90 billion dollars annually while our foreign trade produced only about ten percent of this amount. He stated that the average duty was 38.76 percent ad valorem on dutiable imports, while on all imports, dutiable and free, it was only 15 percent. This is an example of an argument often put forward by advocates of high protective rates, but Taussig repeatedly pointed out, as have others, that average duties have not much point, as the effect of the tariff is on a specific item, not on the average, which is based upon both dutiable and free goods. Averages mean nothing to the importer, the government, or to the laborer.

The Act of 1930 provided an increase of 2.47 percent over

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[7] Ibid. June 16, 1930.

the Act of 1922. Of this increase, 1.53 percent was for agriculture, and 0.94 percent for all other industries.

In the minority report of the House Ways and Means Committee, Mr. Cordell Hull, at that time a representative from Tennessee, said:[8]

> ...we must visualize the Nation...as the chief outstanding factor in the present interdependent and interlocked financial, commercial, and economic affairs of the world. American economic policy can no longer ignore the fact that since 1914 we have changed from a debtor and small surplus producing nation to the greatest creditor and actual, or potential surplus-producing nation in the world...

High wages and high living standards were a part of our system before the passage of the Fordney-McCumber Act, and were a result, not of tariffs, but of such non-tariff protected industries as automobile, building, and railroads. Real wages had not increased over two and one-half percent since 1923. The prosperity of the 1920's was due not to the tariff, but to our great supply of raw materials and foodstuffs, to mass production, to the expansion of the automotive industry, the building industry, the construction of highways and railways, and to installment sales of two and three-fourths billion dollars.

Our productive capacity in 1929 was 25 percent in excess of our ability to consume. Our key economic problem was our

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[8] Cordell Hull, "Minority Report, " Congressional Digest, 8: 176 (June-July, 1929).

ever increasing surpluses, and our neglect to develop foreign markets for surpluses was the one outstanding cause of unemployment.

Agriculture in 1929 was over $20,000,000,000 less prosperous than in 1920. Staple crops comprised 339 million of 356 million acres planted to crops in 1927, which received only nominal or no tariff benefits, but rather tariff penalties.[9] These included corn, cotton, tobacco, wheat, hay, rye, oats, buckwheat, and barley. It was in those crops that the farmer's capital was invested. Truck farmers wanted tariffs and were benefitted by them, but they farmed only 2,400,000 acres or less than 4,500,000 if peanuts, beets, and cane sugar were included.

Over 1000 teachers and professors in 179 colleges and universities petitioned President Hoover not to sign the Hawley-Smoot Bill. The wording of the protest indicated the operation of well recognized principles of international trade which have often been ignored in the framing of the American tariff bills. They insisted that further restrictive duties would raise prices and therefore the cost of living, encourage concerns with high costs to undertake production and in that way subsidize waste, limit the exports of both farm and manufactured products and injure American investments abroad, and operate to promote tariff wars. X

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[9] Ibid., 177.

President Hoover announced on June 15 that he would sign the bill. At that time he issued a statement, popularly called "Hoover's Apology", in which he admitted that the law was "not perfect" and in which he defended himself for signing it, on these grounds:[10]

1. The Republican Party believed that the home market has been built up under the protective policy, that the market belonged to the American farmer, and that the party had pledged the support of legislation which would give the market to him.

2. Certain new industries could not compete with foreign industries.

3. Conditions had changed since the passage of the Law of 1922.

4. Average duties under the 1922 law were 13.8 percent; they were only 16 percent under the new law.

5. The new law took the outstanding step of reorganizing the largely inoperative flexible provision to provide for prompt scientific adjustment on the equalization of costs principle.

The President signed the bill on June 17, 1930, and it became effective on June 18, 1930.

In writing the Act of 1930 the legislators ignored the equalization principle which the Law of 1922 stated was the fundamental principle of the United States Tariff laws, and

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[10] New York Times, June 16, 1930.

which Mr. Hoover implied guided the construction of the 1930 schedule. An examination of the legislative history of a few of the items proves this completely. The tax which mostly affected any agricultural commodity was the tax on Cuban sugar. It surpassed in economic and political consequences the duties formerly dominant--iron, steel, textiles, and wood. About one-half of our sugar came from Cuba. The other half was produced by the cane sugar growers in this country, mostly in Louisiana, the beet sugar producers of Wyoming, California, Kansas, and a few other states, and the quasi-domestic sources--principally the Philippine Islands. The United States producers were clamoring for protection, and the Congressmen, posing as the farmers' friends, gave them all they thought they could ask for, forgetting that while only a few farmers produced sugar, all the people of the United States were consumers of sugar. The Law of 1922 set the duty at 1.76 cents per pound. The House bill set it at 2.4 cents per pound, the Senate at 2.0 cents. It was finally passed at 2.0 cents, although the Tariff Commission said that it should be between 1.25 and 1.5 cents per pound.[11]

The Act of 1922 made the duty on wheat 30 cents per bushel. Later after investigation by the Tariff Commission it was set at 42 cents under the flexible clause, based on the difference

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[11] Taussig, F. W. "The Tariff of 1930," Quarterly Journal of Economics, 45: 8 (November, 1930).

in the cost of production in the United States and Canada, the chief importing country. The Law of 1930 also placed the duty on wheat at 42 cents per bushel. This affected primarily the producers in the Northwest who grow hard spring wheat. Practically the only importation was from Canadian provinces where wheat of the same grade is grown just across the border. When there is a small yield of this type of wheat in the United States we import from Canada. When Canada has a small yield she imports from us. There was no economic justification for this duty.

There was a large importation as well as a great domestic production of hides. Shoe manufacturers in general wanted hides to remain free as in 1922, and were willing that shoes should remain free if hides did. Some manufacturers of particular grades of leather wanted duties on shoes. This was a familiar situation in our industrial and tariff development. We had an enormous domestic production, imports were small, yet some special qualities kept trickling in and the tariff wall was raised again and again to keep these out. In this instance it resulted in a duty of ten percent on hides, 15 percent on leather, and 20 percent on shoes.[12]

The inattention of the legislators to the equalization principle was again illustrated by the ups and downs of the hide duty. Briefly its history was:[13]

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[12] *Ibid.*

[13] *Ibid.*

In the bill	Duty on hides
As passed by House	15 %
As presented to Senate by Finance Committee	17½ %
As fixed by Senate in Committee as a whole	free
As passed by Senate	free
As finally enacted	10 %

Duties were placed on cabbage, celery, egg plant, lettuce, turnip greens, peas, beans, tomatoes, clover seed, mustard seed, hay, potatoes, tulip bulbs, and narcissus bulbs. Lemons, limes, grapefruit, plums a d prunes, and onions were taxed to please California producers. By this time the farmer was beginning to realize that it was going to take more than a tariff on onions to save him from economic ruin.

Reductions were made where pressure was greatest to place goods on the free list, or where the Fordney-McCumber rates had proved absurd. The duty on automobiles was reduced from 25 percent to ten percent. Because of threats of foreign retaliation, the duty on chemicals and aluminum was slightly reduced. The Act of 1922 placed a duty of one cent per pound of contained manganese where the metallic content of ore was over 30 percent. Most ore ranges from 40 to 50 percent in manganese content.[14] It has been estimated that this industry employing only 354 wage earners in 1929, and relatively a very inefficient one in this country, cost the consumers $98.00 for every

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14 Berglund, _op_. _cit_., 474.

ton of manganese used from 1923 to 1928.[15] The Hawley-Smoot Bill further increased this duty by making the former specific duty inapplicable to ores containing ten percent or more of manganese instead of those containing 30 percent. This amounted to an ad valorem duty of 110 percent in 1933.[16] Domestic production declined still further.

The rates were advanced as much as 50 percent on some goods, as much as 100 percent on others. In some cases the rates were left the same per unit, but the method of computing was changed in such a manner as to effect an increase.

The Act of 1930 did not really add anything to protection because the Fordney-McCumber rates were already so high that they furnished complete protection. Importation of the article had already been stopped, so there was no point in adding to the rates, except as a gesture to impress the farmer or some other pressure group. In other instances there was no real competition, as there was not and never had been any considerable importation. In some cases as that of wool or hides, there was sometimes importation of some expensive and rare quality or kind, which continued in spite of high tariffs, because these goods were used only by those who could afford to pay a high price. The manufacturer or domestic producer concerned continued to bring pressure on Congress to eliminate this trickle and consequently the tariff walls grew higher and

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15 Henry Joseph Tasca. The Reciprocal Trade Policy of the United States (Philadelphia, 1938) 80.

16 Ibid.

higher against the whole article.

No important changes were made in the Tariff Commission. The machinery remained the same. It was to investigate, not only upon complaint, but also upon the request of the President or of either house of Congress. It could recommend neither increases nor decreases of more than 50 percent and it could not remove articles from the dutiable list to the free list or vice versa. Not more than three of the commission members should belong to one party. The outstanding change was that made in the personnel. The terms of the men in office were cut short and the President was empowered to set up an entirely new body, with reappointment if he saw fit. He did reappoint three members, and everyone appointed, except the chairman, Mr. H. P. Fletcher, had had some experience on the commission.

That the Tariff of 1930 failed to help the farmer was shown by the fact that the farmer's annual gross income decreased from over 16 billion dollars in 1919 to about five billion in 1932. This was a shrinkage of 11 billion dollars of annual income, an amount equal to the inter-allied debt.[17] Normally 13 percent of farm products were exported. In 1932 only seven percent were exported. Figure 1 shows the steady decline in the farmer's gross income from 1919 to 1932.

More than 80 percent of all protests filed by foreign governments against the protective tariff have been against duties on

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[17] Chris L. Christensen, "Discussion: Major Problems of Readjustment." Proceedings of the Academy of Political Science, 15: 235 (January, 1933).

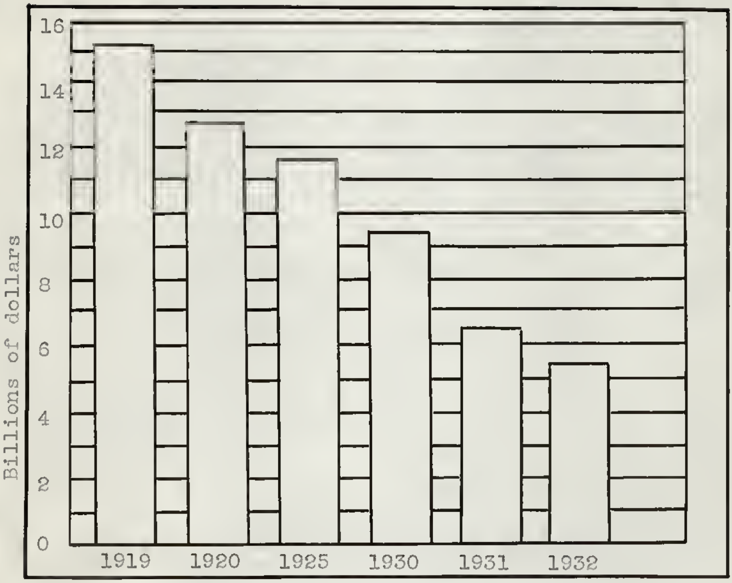

Fig. 1. Decline of the farmer's gross income, 1919-1932. (Source: New York Times, September 25, 1932).

agricultural commodities.[18] Failing to gain any modification of our tariffs, they resorted to measures designed to make each country self-sufficient, and diverted their purchases to other countries than the United States. Never before in our history have other countries in peace time raised so many political barriers against the entrance of our products. Tariffs, import quotas and licensing systems, compulsory use of domestic products, product and export subsidies, and government fixed prices were all used to shut out our staple commodities.[19]

The largest declines in American exports took place during 1931-32 in manufactured goods. They fell 41 percent in 1931 and 47.3 percent in the first six months of 1932. Crude materials exports fell 31 percent and ten percent respectively.[20]

The expansion of American trade during the 1920's had been largely possible because of the world demand for equipment and materials needed for rehabilitation and expansion of productive capacity. Our exports became predominantly manufactured goods, particularly equipment for factories, mines, offices, and plantations, automobiles, trucks, and other specialized goods dependent upon standardized production. By the end of the postwar decade American exports had reached a value of over $5,000,000,000 in 1929 of which 50 percent were finished manufactures. By 1932 the value of our exports had fallen to

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18 L. J. Dickinson, "The Relation of the Agricultural Problem to Tariffs," Proceedings of the Academy of Political Science, 15: 308 (June, 1933).

19 Christensen, op. cit., 237.

20 George B. Roorback, "Tariffs and Trade Barriers in Relation to International Trade," Proceedings of the Academy of Political Science, 15: 85 (January, 1933).

$1,600,000,000.

In the 1920's the United States, although she had become the world's leading creditor nation, had not recognized the responsibilities which go with that position. Europe owed us the war debts, and we were still making loans to her. The American banks and the investing public, not yet adjusted to our position as a creditor nation, were not cautious in making loans. Sir Arthur Salter, in "Recovery the Second Effort" states:[21]

> ...It was obvious to anyone who looked at the world situation as a whole that it was important that America should, to the utmost possible extent, receive what was due her in the form of actual goods; and that her commercial policy should be designed to facilitate this. In other words, the American tariff needed to be the lowest in the world. In fact, it was one of the highest.

Tables 1 and 2 show the decline in the world's trade and the corresponding decline in the national wealth and income of the United States. Other countries suffered similar lessenings of wealth and income.

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[21] Joseph M. Jones, Tariff Retaliation--Repercussions of the Hawley-Smoot Bill. (Philadelphia, 1938) 9.

Table 1. Decline of world trade.

	Amount in billions			Percentage
	1929	1932	Decrease	of decrease
World	68.6	26.8	41.8	60
American	9.4	2.9	6.5	69
United Kingdom	8.9	3.5	5.4	61
Canada	2.5	0.8	1.7	68
France	4.2	1.9	2.3	54
Germany	6.4	2.4	4.0	63
Italy	1.9	0.7	1.2	63
Argentina	1.7	0.5	1.2	70
Brazil	0.8	0.2	0.6	75

Source: Based on figures for yearly imports and exports taken from League of Nations Statistical Year Book, 1932.

Table 2. Decline of wealth and income of the United States.

	Amount in billions			Percentage
	1929	1932	Decrease	of decrease
National wealth	365.0	239.0	126.0	34
National income	85.2	37.2	48.0	56

Source: World Almanac, 1932.

Harry T. Collings gives these two fundamental principles of trade:[22]

1. Imports pay for exports.

2. The law of Comparative Cost (or Advantage) largely determines the quantity and kind of goods and services exchanged.

Countries export those commodities or services in which their labor is most efficient. To receive a return on their labor and investment they must import either goods or services or both.

The total sum of money available in the world in 1923 was $10,000,000,000, one-half of which was in the United States.[23] War time exports of 22 billion dollars and imports of 11 billion dollars gave us an export surplus equal to the sum of our export surpluses in the preceding forty years.[24] The partial payment for this export surplus by a billion dollars of gold was the first phase of the heavy gold flow to this country since 1914; but the principal means of payment consisted of the repurchase of our securities previously held abroad, and the extension of credit by our government. Joseph M. Jones makes this statement:[25]

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22 Harry T. Collings, "The Basis of International Trade," The Annals of the American Academy of Political and Social Science, 14: 3 (January 29, 1925).

23 Ibid.

24 John H. Williams, "Tariff and our International Financial Position," Proceedings of Academy of Political Science, 15: 280 (June, 1933).

25 Jones, op. cit., 10.

> The normal working of the gold standard tends to correct a balance of trade when necessary by increasing the imports of the creditor countries. It will fulfill this vital function, though with greater difficulty even if the imports have to surmount the obstacle of a permanently high tariff. But it cannot do so if it is impeded in its actual operation by new or increased tariffs, calculated to check just the extra imports which the normal working of the normal processes bring in. That is what the new American tariff did in 1930, and it is for this, as for other reasons, that the ratification of that tariff was a turning point in world history.

By 1924 the total value of world trade amounted to almost 57 billion gold dollars, or over 40 percent more than in 1913. This increase, though, rested on the continued extension of loans by the United States to foreign markets. From 1925 to 1929 these loans averaged over one billion dollars a year.[26] This made it possible for our debtors to meet some of their wartime obligations to us despite our high tariffs which kept out their goods.

The sudden cessation of American foreign loans, following the Stock Exchange crash in 1929, was a severe blow to the international economic structure. Debtor countries could make their payments only by draining their gold reserves. The world entered upon a depression which proved to be the most distressing in its history.

In 1929 the total American exports and imports amounted to $80 per capita; in 1930 to $58; in 1931 to $37; and in 1932 to $24. The head of a family of five did business with for-

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[26] *Ibid.*, 10.

eigners in the amount of $400 in 1929 and in the amount of $120 in 1931--a decline of over 70 percent.[27]

World trade declined from 68 billion dollars in 1929 to 26 billion in 1932, and 23 billion in 1934, a decline of 66 percent.[28] America's share declined from 9.6 billion in 1929 to 2.9 billion in 1932, and 2.2 billion in 1934, a decline of 77 percent. England had gone off the gold standard in 1931.[29] As other prices rose, wages and fixed prices remained low. Labor paid for the national blunders. A comparison of the fall in United States trade and in world trade may be made by a study of Figs. 2 and 3.

The level of international trade, according to the statistics of the National City Bank, stood in January of 1932 at from 35 percent to 40 percent of the 1929 level by value.[30]

There were political as well as economic causes for the pressure on the export market. Russia, unable to borrow, was forcing her experts to pay for imports needed to expand her industries. Debtor nations were bringing pressure to enable themselves to establish favorable trade balances. Germany had forced through a ten percent cut in all expenses of production, including interest rates. There was no adequ..te assurance that

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27 C. R. Parker, "Import Quotas and Other Factors in the Restriction of Trade," Proceedings of Academy of Political Science, 15, 298 (June, 1933).
28 "Reciprocal Trade Agreements Program," op. cit., 8.
29 Ibid.
30 William Orton, "Tariffs and Movement of Goods," Proceedings of the Academy of Political Science, 15: 28 (May, 1932).

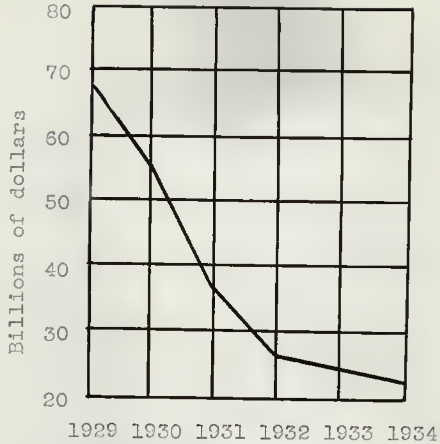

Fig. 2. Decline of world trade, 1929-1934.

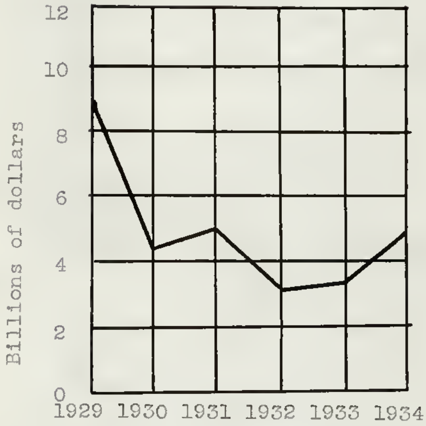

Fig. 3. Decline of United States trade, 1929-1934.

the investment of capital would result in a profitable return. Nevertheless, American investors sent 18 billions into foreign countries during the foreign investment boom.

America was more vulnerable in 1930 to retaliation from Europe than she had ever been before. At the time of the McKinley Tariff in 1890 we mainly exported foodstuffs and raw materials such as raw cotton, wheat, meat, and oil. Such goods made up about 75 percent of our total and no retaliation was possible for Europe on these goods because Europe was dependent upon the United States as a provider of food-stuffs and basic raw materials. This was no longer true, because manufactured goods now made up one-half of our exports, and it was possible for Europe to retaliate against them as she was our chief market for these goods. At this time an increasing economic desperation and mutual measures of economic retaliation were drawing the countries of Europe closer together. Aristide Briand suggested a "United States of Europe", and other proposals for economic and political union were discussed. The primary motive in most of these suggestions was for concerted economic action against the United States.

Economists have repeatedly pointed out that there is a logical conflict between a high protective tariff and an international creditor position. Our policy of insisting on payment in gold injured both our debtors and ourselves by interfering with the receipt of such payment in the form of goods. By her free-trade policy, England received payment in foods and raw

materials at low cost and by offering to receive them freely she expanded her own market for finished goods abroad. In contrast we had imposed an increasingly high barrier against goods; refusing to take goods, we had compelled payment in gold on which there was no tariff, and by this process had at length smashed the monetary system, producing a world collapse.

We had not yet accepted the fact that tariffs, though within the jurisdiction of the nation, are not a purely national matter, but greatly influence world trade. The repercussions of trade control measures or financial dislocations of any important country are so widespread as to lead to similar or defensive reactions on the part of other countries. In addition to establishing higher tariffs, quotas, and other trade restrictions, the legislation of many countries gave authority to some branch of the government to increase duties or to limit importation. This action was expected to furnish prompt means of retaliation against the effect of commercial or financial measures of other nations.

The reactions of the countries of the world to the Hawley-Smoot tariff were in large part responsible for increased protectionism and trade restriction throughout the world. The effect of the reaction to the Hawley-Smoot Act and the other trade restricting measures made the world increasingly aware that the collective interest of the individuals comprising the nation is the criterion for judging the actions of the state.

The loss of the billion dollar Canadian market may be re-

garded as the most costly single result of the Hawley-Smoot Tariff. It furnishes an excellent example of the manner in which our tariffs are made with absolute disregard for the welfare of the nation as a whole.

Canada was by far the most important market for the goods of the United States, having purchased $948,501,000 worth of our goods in 1929. During that same year we purchased from Canada only a little more than half that amount, $504,277,000.[31] We sell to Canada chiefly manufactured goods, and the raw materials produced in insufficient quantities in Canada. The chief classes of American exports to Canada, in 1929, in the order of their importance were iron and steel products, automobiles and parts, industrial machinery, crude petroleum, anthracite coal, wheat, cotton, and gasoline. Our purchases from Canada consisted chiefly of raw products, such as standard newsprint, lumber, wood pulp, copper, nickel, pulpwood, cattle, furs, and dairy products.[32]

In the Canadian election campaign of 1930, Mr. Bennett, the Conservative candidate, promised that should he be elected he would sponsor at the next session of Parliament legislation to insure the production in Canada of a large part of the $900,000,000 of the goods then imported from the United States each year. Both parties were in favor of a "Canada first"

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31 Jones, op. cit., 176.
32 Ibid.

policy. Both parties favored retaliatory measures against American imports.

The Conservatives won an overwhelming victory. The Bennett Government was sworn into office on August 7, and on September 8, a special session of Parliament was convened in Ottawa to carry out the campaign pledges. Mr. Bennett submitted an emergency tariff on September 16, which went into effect provisionally on September 17, and was ratified by Parliament on September 21. This measure gave to Canada the highest tariff protection in her history. It raised the tariff on 125 classes of American exports to Canada, including textiles, agricultural implements, electrical apparatus, meats, gasoline, shoes, paper, cast-iron pipe, fertilizers, household equipment, and jewelry. Added to the tariffs established by the Dunning Budget in May, 1930, these increases practically covered all principal American exports to Canada. The same measure gave the Administration power to set a value for duty purposes regardless of the home market value, the only restriction being that the price set should not be less than the cost of production plus the cost of handling and a reasonable profit. Table 3 shows the loss in the value of goods which we sold to Canada.

Table 3. Value of United States exports affected by the Canadian tariff of 1930.[33]

October 1, 1929 to March 31, 1930 . .	$112,271,000
October 1, 1930 to March 31, 1931 . .	61,920,000

Administrative provisions which were announced on September 29, 1930 increased the valuation upon a large range of fruits and vegetables, livestock, meats and eggs, and declared that dumping duties would be applied on all shipments invoiced at lower valuations.

The most drastic use of these devices for increasing the duties was on imported automobiles on February 19, 1931. The measure affected the United States almost exclusively. The effect upon a $1000 automobile sold to a dealer in Canada at a 30 percent discount, counting all Canadian duties and taxes, was to increase the total levy from $190 to $317.[34]

Prime Minister Bennett announced on June 1, 1931, that there were 1,199 foreign branch, subsidiary, and affiliated firms manufacturing in Canada on January 1, 1930. Of these 1,023 with a capitalization of $1,239,000,000 or 67 percent of the total were American. In the ten months following August, 1930, there had been established in Canada 87 foreign concerns,

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33 Ibid.
34 Ibid., 196.

of which 74 were American, 11 British, and two French. This was the first year following the two general tariff increases in Canada, in retaliation for the American Tariff Act of 1930. The following table shows the decrease in American trade with Canada following the passage of that act.

Table 4. United States trade with Canada, 1929-1932.[35]

Exports to Canada	Imports from Canada
1929 - $948,446,000	1929 - $503,496,000
1930 - 659,091,000	1930 - 402,350,000
1931 - 396,355,000	1931 - 266,268,000
1932 - 241,351,000	1932 - 174,101,000

Representatives of Great Britain, her Dominions, India, and the Colonies met in Ottawa on July 21, 1932, for the purpose of promoting and consolidating Empire unity and prosperity, in order to create freer trade within the Empire.

Mr. Bennett, Prime Minister of Canada, entered the Ottawa Conference determined to secure in Great Britain preferential export markets for Canadian raw and agricultural products in order to compensate for markets lost in the United States by reason of the Hawley-Smoot Tariff. Mr. Bennett planned to pay for those enlarged markets by purchasing from Great Britain

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[35] Ibid., 209.

many products, previously purchased in the United States. By the Agreement 132 duties on United Kingdom goods were reduced, and in 79 cases United Kingdom goods were placed on the free list of the preferential tariff and in 83 cases increased margins of preference were accorded by raising rates in the intermediate and general tariff schedules. It was estimated that American exports to Britain to a value of $372,140,200 would be cut from ten to 30 percent by the Ottawa agreements.

Perhaps the most disastrous effects for American industry were those to the chemical manufacturing industry in the United States. In 1931 the United States exported to Canada chemicals and chemical products to the value of $23,201,000 while Great Britain exported only $4,601,000. British chemical products were then on the free list where they remained, but the Agreements provided that chemical products from the United States must pay a 25 percent tariff. An added preference was given Great Britain on cotton and woolen goods by reducing the specific duties.

Many of the British people were dissatisfied with the Ottawa Agreements because they resulted in a raise in British tariffs particularly in food products, including meat. Only 30 percent of the British foreign trade was carried on with the Empire and the people feared a sudden rise in the cost of living. The Agreements did nothing to free international trade, but rather restricted it by diverting it into Empire channels. The British tariffs upon a certain group of imports

were consolidated for five years, so that Britain was unable to reduce her tariffs without the consent of the parties to the Agreements. This made the rates on 70 percent of Britain's trade subject to the will of the Empire with whom she carried on the other 30 percent.

The Tenth Assembly of the League of Nations passed a resolution calling for concerted economic action by member states of the League and new members wishing to participate. It was hoped to bring about a mutual reduction of tariffs. The Conference met in Geneva, Switzerland, in February and March, 1930. This conference was originally called the "Tariff Truce Conference" but later the name was changed to the "Preliminary International Conference with a View to Concerted Economic Action." It failed to effect any tariff reduction. The Second International Conference met in Geneva in November, 1930.

At this Conference, Britain was charged with the negotiation of tariff reducing most-favored-nation treaties with European countries. The President of the Conference stated that should these negotiations fail, free trade countries would be forced to adopt protection. This failure was announced on April 20, 1931.

In 1931 the British people believed that the pound sterling was in serious danger of declining still further in value unless drastic measures were taken to rectify the unfavorable trade

balance. They believed that this was caused chiefly by high tariffs and other trade restrictions throughout the world which cut down British exports, while imports from those countries were dumped on the British markets. The British welcomed protection, a measure which they had long opposed.

London banks had lent money all over the world, much of it to Germany on short term loans. The crisis in Germany, during May and June, 1931, had been checked by the Hoover moratorium and by the "stand-still" agreement by which Great Britain, the United States, and France had agreed not to withdraw the money lent to Germany, but as the crisis grew worse in the world, it became difficult to withdraw money lent to Australia and to South America. At the same time the financiers of the United States and France made heavy withdrawals on short term loans to Britain, reducing the British gold supply to the point where fears were aroused as to the stability of the British financial system. In July, 1931, the Bank of England was forced to borrow $250,000,000 from the Bank of France and the Federal Reserve Bank of New York but these funds proved to be inadequate. The Bank of England informed the Government that it would be necessary either to abandon the gold standard or to negotiate government guaranteed loans from foreign countries. A national emergency was declared and Prime Minister MacDonald was asked to form a Coalition Government uniting all parties. This government negotiated a foreign loan of $400,000,000 but withdrawals of deposits from London continued. The gold standard was sus-

pended in September, 1931. The pound sterling depreciated by approximately one-third of its value in terms of foreign currencies. An election was held October 27 so that the people might approve the policy of the National Government.

The newly elected Parliament passed the Import Duties Act which became effective March 1, 1932. This Act gave England her first measure of general protection in nearly 100 years. This measure provided for an ad valorem tax of ten percent on all imports with a few exceptions, chiefly raw products used by industry, and products coming from the Dominions which would be taken care of by the Ottawa Agreements in November.

American trade with Great Britain upon the basis of American exports to Great Britain during the year 1930, to the value of $69,996,800, was hurt by increases in the British tariff effected by the Ottawa Agreements alone, while the total tariff duties imposed by Great Britain since the year 1932, including the Import Duties Act and the Ottawa Agreements, affected American exports to Great Britain to the value of $372,140,000. This figure represented 50 percent of American exports to Great Britain in 1930. Another 29.5 percent of those exports were subject to duties in force previous to that year, leaving only 20.5 percent of American exports to Great Britain which entered the latter country free of duty, as compared with the 70.5 percent of those exports which entered free of duty in 1930.[36]

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36 Jones, op. cit., 237.

The break-up of the Austro-Hungairan Empire following the first World War had resulted in severe economic difficulties. The economists of these states had repeatedly urged that they be permitted to give each other preferential treatment in the most-favored-nation treaties, which were at that time the common type of trade agreement. The Tardieu Plan would have given these countries the right to negotiate preferential treaties among themselves, but it was blocked by Germany and Italy. The Central European Powers then proceeded to make such concessions to each other in spite of the treaties. Reciprocity became the accepted method of trade between the Central European countries.

Adoption of The Eighteenth Amendment in the United States had cut off one of Spain's chief exports to this country, and had created such an alarming deficit in her trade balance that in 1923 the Spanish Government denounced the most-favored-nation treaty of 1906.

In the period just preceding the passage of the Hawley-Smoot Bill, Spain had bought more than twice as much from the United States as she had sold to her. The United States was Spain's third best customer and she dared not risk the loss of her markets by objecting too vigorously against the tariff measure of the United States. Spain claimed that we annulled our treaties by application of our laws and administrative provisions regarding quarantines, the Pure Food and Drug Act, and the labeling and classification of imported goods. For

instance in 1929 we required a label reading, "Made in Spain" on each cork stopper imported. The labeling process cost more than the manufacture of the stopper. In 1922 we had prohibited the importation of certain Spanish fruits because we feared infestation of the fruit fly. Spain offered to take the necessary precautionary measures, but the United States refused to consider the matter further. Practically everyone in the country, from the members of the Government down, resented the prohibitions and restrictions of the United States, but Spain hesitated to retaliate against us; she feared the loss of one of her best customers. However, after the passage of the Hawley-Smoot Act in 1930 Spain passed the Wais Bill, a retaliatory measure directed at the United States and France. The following table shows the resulting decline in trade between the United States and Spain in automobiles.

Table 5. Spain's total imports of passenger automobiles compared with imports from the United States.[37]

	Total Spanish imports of passenger automobiles	Total imports from the United States
1929	$17,240,000	$10,290,000
1930	10,190,000	5,605,000
1931	1,196,000	586,000
1932 (11 months)	1,980,000	334,000

These are only examples of the cut throat tactics employed by the United States and other nations. All of them proceeded

[37] Jones, op. cit., 61. Publications issued by the Ministerio de Hacienda, Madrid.

to follow our leadership as if international trade meant not mutual gain but rivalry in grasping at an advantage. Apparently it never occurred to those responsible for these laws that by imposing high tariffs a government may burden its own people. They did not realize that imports are paid for in the end by exports, and that the more a nation buys the more a nation can sell. The phraseology of war was often used in a discussion of commercial relations. Such terms, as "attacks upon dominant industry," of defiance against "foreign aggression," of industrial "invasion," of the "conquest" of markets, were common. Seldom did the legislators and economists speak of mutual gain, friendly cooperation, or of international betterment. Instead they struck at each other with every kind of restrictive trade measure they could devise.

In 1929 and 1930, the United States, as the world's leading creditor nation, should have led the way towards internationalism. Instead, we chose the way towards selfish nationalism, with the passage of the highest tariff in the history of the world. Europe had resented the Fordney-McCumber Act of 1922, but it came during a period of rising prices when large loans were available from the United States. There was relatively little retaliation against that measure. In 1929 when the Hawley-Smoot discussions began, European trade balances remained unfavorable, and war debt payments continued but new loans were not available from the United States. When we raised the tariff wall still higher, thus restricting im-

ports to an even greater degree and making it more impossible for European nations to make the payments on which we insisted, retaliation was inevitable.

The vital interests of most of the people of America correspond to the vital interests of the people of other countries. Both are best served by a free exchange of goods between countries. This creates a market for labor within each country, and a market for the products of labor both within and without the country, as well as lessening the prices which the consumer pays. Economists are agreed that infant industries need protection, but such bills as the Hawley-Smoot go beyond protection to the mere building of tariff walls which block all trade, with consequently declining wages and prices, and increasingly result in economic depression. The New York Stock Exchange crash in 1929 upset the international financial structure which had been precariously based on international short-term loans. The tie-up of world trade following the passage of the Hawley-Smoot and high tariff laws of other countries resulted in world wide distress, unemployment, and even hunger. Not only the people of the United States suffered, but those of all other countries. The people of Germany, out of work, restless, dissatisfied, and hungry, watched the mark become more and more worthless. Hitler was welcomed as a solution to their economic problem.

Economic distress bred suspicion of other peoples and indifference to national responsibilities for maintaining a world

in which all could live in peace and freedom from fear and want.

CHAPTER II

EVENTS LEADING TO THE RECIPROCAL TRADE AGREEMENTS ACT OF 1934

Revision of the tariff and the repeal of prohibition were the dominant issues in the presidential campaign of 1932, with the latter seemingly of more concern to the voters. Party platforms and speeches of candidates gave more space and time to the tariff, because the leaders considered it the more vital question of the hour, and because they wished to evade discussion of the moral issues involved in repeal.

The tariff plank of the Republican platform was as follows:[1]

> The Republican party believes the home market, the greatest and richest in the world, belongs first to American agriculture, industry, and labor. No pretext can justify the surrender of that market to such competition as would destroy our farms, mines, and factories, and would lower the standard of living which we have established for our workers.
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> * * * * * * * *
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> Because many foreign countries have recently abandoned the gold standard, as a result of which the cost of many commodities have, at least for the time being, fallen materially in terms of American currency, adequate tariff protection is today particularly essential to the welfare of the American people.

The platform recommended that the Tariff Commission should promptly investigate the individual commodities, so affected by

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[1] U. S. Congress, Platforms of the Two Great Political Parties, 1932 to 1940. (Washington, 1940), 335.

currency depreciation and report to the President any increase in duties found necessary to equalize domestic with foreign costs of production. The platform supported the flexible tariff as provided for in the Hawley-Smoot Act of 1930, and commended President Hoover for his veto of the Democratic tariff measure which would have transferred from the Presidency to Congress the authority to put into effect the findings of the Tariff Commission.

The Republicans favored United States participation in an international conference to consider monetary matters, including the position of silver, exchange problems, and commodity prices, and possible cooperative action concerning them. In discussing the tariff and the marketing act, the party pledged itself to make those changes in the tariff schedules required "to maintain the parity of protection to agriculture with other industries."

The fundamental problem of American agriculture was declared to be the limiting of production to such volume as would balance the supply with the demand. The Republicans considered the vital elements in this program to be: (1) planned production; (2) protective tariff; and, (3) limiting the acreage under production.[2]

President Hoover, in his acceptance speech, said:[3]

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[2] Ibid., 348.
[3] New York Times, August 12, 1932.

> I am squarely for the protective tariff. I am against the proposal of "a competitive tariff for revenue" as advocated by our opponents. That would place our farmers and our workers in competition with peasants and sweated labor products from abroad.

In his speech on the tariff at Charleston, West Virginia, he said that the depreciation in currency in foreign countries had in effect, lowered wages and standards of living in those countries. In 1928 he had ordered a survey made of the purchasing power of a workman's wages in terms of bread and butter. This survey had revealed that in the highest paying countries about one-half as much bread and butter could be purchased with the wages of a European workman as could be purchased with the wages of an American workman in a comparable job. A resurvey had shown that in 1932 in the highest paying countries only one-third as much bread and butter could be purchased with the wages of the European workman as with the wages of the American workman in a comparable job, and in the lowest paying countries only one-eighth as much. This was a point of which the Republicans made much during the campaign insisting that bad as conditions were here, they were much worse in Europe and other parts of the world.

At Des Moines, President Hoover outlined his 12 point farm program. He named as the first point the maintenance of a high protective tariff on farm products. In reply to Governor Roosevelt's charges that the Tariff Act of 1930 had been responsible for the depression he said that the Act was not passed until nine months after the depression had started in the United

States and that 20 other countries were then already in the depression. He named three great perils of the country. They were: (1) steady strangulation of credit through the removal of $3,000,000,000 of gold and currency by foreign drains and by hoarding from the channels of our commerce and business; (2) the reduction of Federal revenue due to the decline of profits and income upon which it is based; (3) the possibility that the country might be forced off the gold standard, which President Hoover felt would be especially injurious in this country because most debtor documents such as bonds and mortgages, are made payable in gold.[4] Gold would go to a premium and the currency dollar would be depreciated.

In further answer to Roosevelt's charges that foreign tariff's had increased in retaliation against the Act of 1930, he replied that there had been many tariff increases abroad before the passage of the act; that restriction of imports was not directed at us but at curtailing the expenditures of their citizens during the depression; and that most of the foreign protest had been directed at the agricultural tariffs.

Of the flexible provision President Hoover said, "It is one of the most progressive acts which has been secured in the history of all legislation."[5] He also charged that in spite of the Democrats claim that rates were too high they had not

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4 New York Times, October 5, 1932.
5 Ibid.

taken advantage of this technique for remedying the situation. He asserted that the Democrats did not dare to criticize the schedules, because any valid criticism could be promptly answered by investigation and remedied through the commission, and that after being in session for seven months, the Democratic House did not pass a single resolution requesting readjustment of a single commodity on a single schedule.[6]

The President emphasized in his Des Moines speech that:[7]

> The very basis of safety to American agriculture is the protective tariff on farm products.
>
> The Republican party originated and proposes to maintain the protective tariff on agricultural products. We will even widen that tariff further where necessary to protect agriculture. Ninety percent of your market is at home and I propose to reserve this market to the American farmer.

The Democrats declared the chief cause of the economic and social distress was due to those economic isolationist policies followed since the war. These policies had fostered the merger of competitive business, and encouraged the expansion and contraction of credit for private profit at the expense of the public. By following such policies our foreign trade had been ruined and the country had been brought to a state of unprecedented financial distress.

The Democratic platform stated:[8]

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6 Ibid.
7 Ibid.
8 U. S. Congress, op. cit., 336.

> We advocate a competitive tariff for revenue, with a fact-finding tariff commission free from Executive interference, reciprocal tariff agreements with other nations, and an international economic conference designed to restore international trade and to facilitate exchange.
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> * * * * * * * * *
>
> We condemn the Hawley-Smoot tariff law, the prohibitive rates of which have resulted in retaliatory action by more than 40 countries, destroyed international trade, driven our factories into foreign countries, robbed the American farmer of his foreign markets and increased the cost of production.

Governor Roosevelt made his farm speech at Topeka, Kansas, on September 14, 1932 and his tariff speech at Sioux City, Iowa, September 29. To the farmers and political leaders assembled before the steps of the Kansas State Capitol from which he spoke he pointed to the disparity between prices of things the farmer had to sell and prices of things he had to buy. This inequality should be immediately lessened through government effort. One way of doing this was by restoring international trade through tariff readjustments. The Democratic tariff policy, he stated, consisted in large measure of negotiating agreements with individual countries which would permit them to sell goods to us, in return for which they would let us sell to them goods and crops which we produced. Until the flow of international trade, restored by this means, had reduced the farmer's surplus, he proposed to take up the slack by a benefit equivalent to that which the protected manufacturer gets from the tariff--a domestic allotment. His farm plan

included these points:[9]

1. To provide the producer of staple surplus commodities such as wheat, cotton, corn (in the form of hogs), and tobacco, a tariff benefit over world prices which is equivalent to the benefit given by the tariff to the industrial producer. This benefit must not stimulate further production.

2. The plan must finance itself. It would seek only equality of opportunity with tariff protected industry.

3. It must not make use of any mechanics which would cause European customers to retaliate on the grounds of dumping. It must be based upon making the tariff effective and direct in operation.

4. The plan must make use of existing agencies and be decentralized in administration.

5. It must operate on a cooperative basis.

6. It must be voluntary.

In his tariff speech Governor Roosevelt said that the farmer had been hit by increased taxes and other expenses and by depreciated buying power. The principal cash crops had been produced much in excess of the requirements of the home market, and regardless of the height of the tariff wall, it would not raise the domestic price of a surplus crop. The

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9 New York Times, September 15, 1932.

producers were in effect thrust outside of the tariff wall. The tariff protected the price of industrial products and raised them above the world prices, so the farmer sold on a free trade basis, and bought in a protected market. The higher the industrial tariffs were made the greater became the farmer's burden. Farm purchase prices were nine percent above the pre-war level while the selling prices of farm products were 43 percent under the pre-war level.[10] Mr. Roosevelt insisted upon the tariff as the main reason for the decline of industry's foreign market. Industry then turned to the home market, made up mostly of farmers and their families with their reduced buying power. Foreign countries, deprived of American markets by the tariff wall, had looked for new outlets. They had turned to trade agreements among themselves, and also the preservation of their own domestic markets against importations by trade restrictions of all kinds. Governor Roosevelt declared:[11]

> The ink on the Hawley-Smoot bill was not dry before foreign nations commenced their program of retaliation. Brick for brick they built their walls against us. They learned their lesson from us.

Roosevelt pointed out that Prime Minister Bennett of Canada had just assured Great Britain and the Empire that the Ottawa Pact would take $250,000,000 of Canadian trade from the United States and give it to them. United States exports had declined from $294,000,000 to $115,000,000 in 1932, and imports

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10 *New York Times*, September 30, 1932.
11 *Ibid.*

from $250,000,000 in 1930 to $78,000,000 in 1932.

The Democratic candidate contended that because we had refused to accept goods in payment of Europe's debts to us, we had instituted such a drain on her gold reserves as to force practically all of the European countries off the gold standard. With their depreciated currency they could not buy our goods.

Mr. Roosevelt said:[12]

> The platform declares in favor of a competitive tariff which means one which will put the American producers on a market equality with their foreign competitors--one that equalizes the difference in cost of production--not a prohibitory tariff back of which the domestic producer may combine to practice extortion of the American public.
>
> I appreciate that the doctrine thus announced is not widely different from that preached by Republican statesmen and politicians. I know that the theory professed by them is that the tariff should equalize the difference in the cost of production, which for all practical purposes does not exceed labor cost, as between this country and competitive countries, and I know that in practice the theory is utterly disregarded. The rates are imposed far in excess of any such difference, looking to the total exclusion of imports--prohibitory rates.
>
> ...Of course, the excessive, outrageously excessive rates in that bill as it became law, must come down. But we should not lower them beyond the point indicated.

The "point indicated" he explained later as the point where our national industries would be injured. He continued:[13]

> But how is reduction to be accomplished? By international negotiation as the first and most desirable method, in view of present world conditions--

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12 <u>Ibid.</u>
13 <u>Ibid.</u>

> by consenting to reduce to some extent some of our duties in order to secure a lowering of foreign walls that a larger measure of our surplus may be admitted abroad.
>
> ...despite the effort...to stigmatize the Democratic party as a free trade party, there never has been a tariff act passed since the government came into existence in which the duties were not levied with a view to giving the American producer an advantage over his foreign competitor...the difference in our day between the two major parties on the subject of the tariff is that the Republican party, whatever may be its professions, would put duties so high as to make them practically prohibitory. The Democratic party would put them as low as the preservation of the prosperity of American industry will permit.

This last quoted paragraph was much criticized by the Republicans and the following one from a speech which Governor Roosevelt made in Baltimore was criticized even more:[14]

> Of course it is absurd to talk of lowering tariff duties on farm products. I declared that all prosperity in the broader sense springs from the soil. I promised to endeavor to restore the purchasing power of the farm dollar by making the tariff effective for agriculture, and raising the price of the farmer's products. I know of no effective excessively high tariff duties on farm products. I do not intend that such duties shall be lowered. To do so would be inconsistent with my entire farm program and every farmer knows it and will not be deceived.

Many people felt that this was a reversal of Roosevelt's policy. Actually what he meant was, that there would be no wholesale lowering of farm tariffs, but that such lowering as might take place would be through the negotiation of reciprocal trade pacts with individual countries.

Viewing the campaign platforms and speeches objectively

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[14] Ibid., October 26, 1932.

we find that the Republicans were right in saying that movements toward higher tariffs were in progress before the Hawley-Smoot law was enacted. In the four years before 1930 more than 50 revisions upward were made in tariffs of the principal trading nations. However, before the Hawley-Smoot law we had the Fordney-McCumber Act which imposed prohibitory rates. Actually the Act of 1930 did not change the situation much so far as the ability of the foreign countries to send us their goods was concerned. It merely increased their resentment at our tariff walls.

The Democrats were right in saying the adoption of the Act of 1930 brought fresh protest and implied warnings of retaliation. Formal protests were received from 30 nations in regard to 200 proposed changes. In certain cases, as the Ottawa Pact, retaliatory tariffs seem to have been directly inspired by the American example.

The Republicans, believing in the Hawley-Smoot Tariff as a good instrument were determined to stick to it. The platform pledged them "to a policy which will retain the gains made" and also "enlarge the present scope of greater progress."

During the first two years of the Act of 1930 the Tariff Commission, acting under the flexible "production cost" clause had disposed of 133 cases involving more than 250 articles on which tariffs were imposed. It recommended decreases in the case of 18 articles and increases in the case of 13. All but four of the recommendations were approved by the President.

The Democrats and Republicans agreed on the desirability of protection. Points of disagreement were:[15]

1. The authority of the Tariff Commission

The Republicans wished to leave it as it was, and to retain that section of the law requiring Presidential approval for any changes in existing rates.

The Democrats wanted to shift the authority to approve changes from the President to Congress. They later reversed this policy in the Trade Agreements Act of 1934 giving full power of negotiation to the executive branch as advocated by Cordell Hull.

2. The desirability of American leadership in summoning an International Conference to discuss the tariff question.

President Hoover had vetoed the Democratic measure providing for this, at the last session of Congress, but had said he would be willing to summon a conference when circumstances would permit the removal of barriers to international trade without sacrificing American interests.

3. The Reciprocal Agreements with other nations proposed by the Democrats--a "bargaining tariff" under which concessions would be given in return for concessions. In opposition to this the Republicans favored

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[15] New York Times, October 16, 1932.

high protective tariffs.

Governor Roosevelt was certain that mutual arrangements for trade, in place of the attempt of each nation to exploit the markets of every other, would start the flow of international exchange, and contribute to world peace.

Hoover felt that any reciprocal trade arrangements made with other nations would be made at the expense of the American farmer.

The two parties then did not greatly differ in their beliefs. Governor Roosevelt recognized that the "production cost" plan which he advocated at Sioux City, was obviously protective when he said that he recognized it as being not widely different from that preached by Republican leaders. If the tariff must always be high enough to "equalize differences" in the cost of production of the domestic and the foreign article as provided for in the bill which the Democrats had sponsored earlier in 1932, it would always be a barrier in the way of the exchange of goods.

The Democratic platform pledged the party "to a competitive tariff for revenue" and the Republican platform declared, "trade barriers of all kinds ought to be lowered...as quickly and as definitely as possible," and the farmer must receive for that portion of his produce which he sold in the United States "the equivalent of what the protected manufacturer gets from the tariff." The Democrats cautioned against a shake up

of business in the revision of schedules. The difference between the parties seemed to be more one of method than of principle.

Neither making reciprocal trade agreements nor giving the President the power to grant reductions was a completely new idea. The most important reciprocity agreements in our early history were those with Canada, 1854; with Hawaii, 1875; and with Cuba, 1903.[16] The Canadian treaty ended in 1866, and the Hawaiian treaty ended with annexation in 1898. Cuba still receives preferential treatment under the new trade agreements.

The McKinley Tariff of 1890 and the Dingley Tariff of 1897 both authorized the President to negotiate rates, but the bargaining features in these laws were in the form of penalty duties on the imports of any country which discriminated against our imports.

Under the Dingley Tariff of 1897 a schedule of minimum rates was applied to certain commodities in return for reciprocal concessions,and penalty duties were assessed on a small group of articles.

The Payne-Aldrich Act of 1909 introduced a double schedule of rates, and gave the President the authority to apply the minimum rates to imports from countries which did not discriminate against us. Most of those acts were not truly recipro-

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16 Guy Shirk Claire, "Reciprocity as a Trade Policy of the United States," Annals of the American Academy of Political and Social Science, 141: 40 (January, 1929).

cal, because of the discriminating features.

President Taft desired a mutual program of reciprocity between the United States and Canada. A bill was submitted in 1911 which called for concurrent legislation in both countries. The proposed concession list was accepted by the United States but rejected by Canada.

The Democratic Party provided for reciprocity in the Underwood Tariff, which gave the President power to negotiate for mutual reductions, subject to the approval of Congress, which however, could not amend, but only accept or reject. President Wilson, because of the war, made no use of the bargaining power granted by the Act. The Fordney-McCumber Act of 1922 made no provision for tariff bargaining reciprocity treaties. It introduced the "flexible clause" providing the President with power to increase or decrease any rate of duty by a maximum of 50 percent, if, after an investigation by the Tariff Commission, it was found that the existing rate did not equal the difference between the domestic and the foreign costs of production. This same provision was also included in the Act of 1930.

The flexible clause of 1922 and of 1930 gave the President practically the same power to bring about changes in the rates that he has under the Trade Agreements Act.

Although the European economic conferences of the 1920's and the Economic Commission of the League accomplished nothing definite, it is in their work that the evolution of commercial

policy following the first war was evident. All of these conferences and committees arrived at the conclusion that the unconditional most-favored-nation clause was the best regulator of commercial relations. When such a clause is included in a commercial treaty each party to the treaty automatically extends to all third parties with which they have similar agreements, all of the concessions granted in the treaty. If the clause is conditional the third nation must reciprocate, in order to receive the favors granted in the treaty. The purpose of the most-favored-nation clause is to guarantee equality of treatment, which is best done by the unconditional form.

By 1927 the unconditional form was accepted and used throughout the world. The United States had introduced it into her policy in the Fordney-McCumber Act of 1922.[17] After 1929 there was a rapid swing back to the conditional form.

The United States refused to approve the making of preferential treaties among the central European countries who form among themselves a geographically united economic unit, as our 48 states do. This was an important reason for the failure of all efforts to break through the increasingly high tariff wall.

In 1932, representatives of the European nations met in

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[17] Ibid., 41.

the Lausanne Conference on Reparations and War Debts. During this conference representatives of Belgium, Holland, and Luxemburg met in a suburb of Lausanne and signed the Convention of Ouchy, which provided for reciprocal reduction of tariffs among the three signatories and was open to any state which would accept its reciprocal policy. This Convention was hailed by economic experts throughout the world as the method by which the rights of nations could be protected, at the same time that trade was expanded. Because it was a derogation of the unconditional most-favored-nation treaties, its application was made contingent upon the consent of the countries with which the signatories had unconditional most-favored-nation treaties. This consent was withheld.

The Lausanne Conference on Reparations and War Debts agreed to accept from Germany as a final settlement of the reparations the lump sum of $714,000,000 if the United States would scale down the debts owed to her. The nations at the conference also agreed to the calling of a World Economic Conference. The United States, still refusing to recognize the relationship between reparations and war debts, refused to attend the conference unless war debts, reparations, disarmament, and the tariff rates should be barred from the discussion. We accepted the invitation when it was agreed that these subjects should not be placed on the agenda. There were repeated warnings from American and European economists that the elimination of such basic questions from the discussion could result only in

the failure of the conference.

In June, 1931, Representative Cordell Hull of Tennessee suggested in the House that reciprocal trade pacts might aid in solving the world's trade problems. However, he made no specific proposals. In August, Senator McKellar of Tennessee advised a 25 percent reduction in the rates of the Hawley-Smoot Tariff, with an additional 25 percent reduction to any nation which would increase its purchases from this country by one-fourth. In November, Representative Rainey of Illinois introduced a bill providing a contingent schedule of reduced rates to be effective "when as to some items or groups of items, foreign countries established the same or lower rates." During this same month the American Export and Import Association petitioned Congress for a reciprocal tariff law.

In January, 1932, Congress passed the Colier tariff bill which provided for the negotiation of reciprocal agreements by the President, and for the appointment of a "public counsel" who would represent the public before the Tariff Commission when applications for increases or decreases were presented.[18] This bill, which Franklin Roosevelt said had "horse sense", was vetoed by President Hoover in May, 1932.

During this same year the World Trade League was formed under the leadership of G. F. Bauer for the purpose of fostering reciprocal trade pacts. The Fair Tariff League, the

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[18] New York Times, September 30, 1932.

National Automobile Chamber of Commerce, the American Manufacturer's Export Association, and the Foreign Commerce Club of New York all declared themselves as favoring a reciprocal tariff policy. In the campaign of 1932 the Democratic platform and candidates advocated reciprocal trade agreements.

In 1933 the Senate requested the United States Tariff Commission to compile data relative to our foreign trade, and to advise the Congress as to the extent to which the most-favored-nation clause affected tariff bargaining. The commission was also asked to advise ways of tariff bargaining which would expand trade between the United States and foreign countries.[19] The Commission presented a detailed analysis of the trade of the United States with 23 foreign countries, and less complete reports on the trade of 16 other countries. These 39 countries accounted for 93 and 92 percent of American importation in 1928 and 1932 respectively, and for 94 and 93 percent of the United States exports for the same years.[20]

The most-favored-nation clause was recommended by the commission. It was suggested that Congress might define a minimum tariff for the United States, and prescribe that any change in rate or classification should become effective only as proclaimed by the President. Each proclamation was to be in return for reciprocal and equivalent concessions made by

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19 Tasca, op. cit., 20.
20 Ibid.

a foreign country; or, alternatively, the Congress might frame a law for bilateral tariff bargaining which would authorize the president to make a tariff bargain with a foreign country and to announce the terms by proclamation. The commission also suggested that the President's authority to make reductions might be limited by either: (1) a uniform percentage limitation, so that no rate should be reduced by more than 50 percent; or (2) by specifying two or more percentage limitations applicable under different circumstances.

Public announcement was made March 23, 1933, that President Roosevelt would seek legislative authority to negotiate reciprocal pacts. The approaching Monetary and Economic Conference at London in June, 1933, and the problem of debt revisions made such a delegation of authority even more desirable. On April 3, Roosevelt reiterated his determination to seek tariff-modifying powers. In his message to Congress on farm mortgage financing, President Roosevelt declared that he would ask authority to initiate "practical tariff agreements to break through trade barriers and to establish foreign markets for farm and industrial products."[21] On April 7, it was announced that the proposed bill was to be submitted to Congress during the following week. The Democratic leaders in the House and the Senate expressed themselves as confident that the measure would be enacted without much difficulty. By the middle of the

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[21] New York Times, April 3, 1933.

month it appeared that the President had resolved to present the proposal to Congress within a few days. It was stated that the main outline of the measure had been completed and that the problem offered by the unconditional most-favored-nation obligations of the United States had been solved. On May 6, it was announced that the President was undecided whether or not to ask for tariff powers at that session because of the controversial nature of the question. On May 22, following a conference between Roosevelt and Hull the announcement was made that the bill would be presented immediately. On June 9 it was stated that the bill would not be presented during that session. The impression was given that reciprocal treaties would be negotiated during the Congressional recess and submitted to the next Congress for ratification.

Why was the bill not submitted at this time? The possibility of a conflict of tariff reduction with the operation of the National Industrial Recovery Administration, and fear that the introduction of such a controversial question might derail other important administration measures were probably the strongest factors in the delay.

The NIRA, set a minimum wage which an employer was permitted to pay to his employees. The employers protested that they could not compete with foreign industries based on very low wages. The NIRA, in order to meet this problem, gave the President the power to restrain or forbid importation of goods and articles which endangered the maintenance of any code or

agreement. This presidential power to restrict imports was directly in contrast to the philosophy of the Reciprocal Trade Act. It, in large part, explains the lack of progress of the Reciprocal Program. NIRA's purpose was to expand employment, to enlarge the return to labor, and prevent the growth of monopolies which might lead to higher prices. The Reciprocal Trade Act was based on the need for expanding markets. NIRA placed quota restrictions upon imports of petroleum, alcoholic beverages, lumber and timber products. Those quotas might become a precedent for the further use of quotas. The administra-tion was committed to a reciprocal trade policy, yet it seemed unable to reach its objective.

In July the American embassies in Argentina, Brazil, Columbia, Portugal, and Sweden were instructed to inform their respective foreign offices that the United States wished to undertake exploratory studies on the possibility of reciprocity treaties. The Interdepartmental Advisory Board on Reciprocity Treaties, composed of representatives of the Departments of State, Agriculture, Commerce, and the United States Tariff Commission, was originated to prepare studies and reports relevant to these exploratory conversations. This board held its first meeting at the Department of State on July 17, 1933. The only tangible result was the negotiation of a treaty with Colombia which, though signed never received the requisite legislative approval of either government. Negotiations with other countries were never consummated.

In August, 1933, Secretary of State Cordell Hull announced that the United States would be willing to negotiate bilateral trade pacts with countries sending non-competitive products to the United States.

An Executive Commercial Policy Committee was formed in November, 1933, to centralize the supervision of government action pertaining to imports and exports. On December 29, a press dispatch announced Roosevelt was preparing a reciprocal tariff plan to be offered to Congress. On January 3, this committee suggested that the President request limited delegation of tariff powers.

On February 28, 1934 Democratic leaders conferred with the President at the White House. This conference was followed by the announcement that the reciprocal trade plan would be offered to Congress very shortly.

CHAPTER III

LEGISLATIVE HISTORY, ADMINISTRATIVE ORGANIZATION, AND APPLICATIONS OF THE RECIPROCAL TRADE AGREEMENTS ACT OF 1934

On March 2, 1934, President Roosevelt sent this message to Congress:[1]

> I am requesting the Congress to authorize the Executive to enter into Executive commitments--agreements with foreign nations; and in pursuance thereof within carefully guarded limits to modify existing duties and import restrictions in such a way as will benefit American agriculture and industry.

He gave as reasons for this needed change in procedure the decline in world trade and in the United States' share of that trade. The 1933 volume of world trade was 70 percent of that of 1929, while the value was only 35 percent of the 1929 value. The volume of United States exports in 1933 was 52 percent of the 1929 volume and the value of those exports 32 percent of the 1929 value. Other countries had adopted and were adopting the method of negotiating reciprocal trade agreements, and the United States should do likewise, if it were not to lose its place as a trading country. The negotiation of reciprocal treaties would provide expanded markets for agricultural and industrial products, though the President warned against expecting quick results.

On the same day as the President's message, a bill,

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[1] Congressional Digest, 13: 91 (March, 1934).

(H.R. 8687), was introduced into the House of Representatives. Hearings began March 8, before the House Ways and Means Committee. Representative Doughton was chairman. Secretary of State, Cordell Hull, Assistant Secretary of Commerce, D. C. Roper, Secretary of Agriculture, Henry A. Wallace, Assistant Secretary of State, F. B. Sayre, and the Tariff Commission Chairman, R. L. O'Brien, presented the administration's case. There were several days of intensive discussion between the members of the committee and the witnesses who appeared before them. The bill was considered from many angles-- its effect upon domestic producers, its potential powers to protect and increase American foreign trade, its constitutionality, its practicability, its relation to the theory of international trade. A few amendments were made. The binding of existing customs treatment was provided for, and the equalization of costs provision of the Act of 1930 was made inapplicable to products included in any trade agreements negotiated. Another clause, added by the House Committee, expressly continued Cuba's preferential position in its trade with the United States.

On March 17, the Ways and Means Committee reported favorably on the bill. The majority report summarized the bill and the supporting arguments. The minority report, prepared by Representative A. T. Treadway of Massachusetts, attacked the constitutionality of the bill, and objected to placing so much authority in the hands of one man. The report also criticized the failure to provide for public hearings.

The bill came before the House on March 23. Several days of discussion and debate followed, resulting in some changes. The cancellation or reduction of intergovernmental debts to the United States could not be provided for in any agreement that might be negotiated under the authority of the bill. On March 29, the House passed the bill by a vote of 274 to 111. Eleven Democrats voted against the bill, and two Republicans for it.[2]

Hearings before the Senate Finance Committee lasted from April 26 to May 1. Much of the same ground was covered in the discussions there that had been covered before the Ways and Means Committee. The Finance Committee adopted an amendment requiring the giving of "reasonable public notice of the intention to negotiate an agreement" in order to afford all interested persons an opportunity to present their views before the conclusion of any trade agreement. This amendment lessened the opposition to the bill, and laid the foundation for the important work later carried on in connection with public hearings. The authority to enter into trade agreements was limited to three years, and it was provided that the President was to seek information from the Tariff Commission and various other governmental agencies connected with foreign trade.

With these and a few other amendments the bill was favorably reported on May 2, 1934. It came up for debate on the floor of the Senate on May 17, and on June 4, after intensive

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[2] Congressional Record, 78: 5808, 73 Congress, 2 session (June, 1934).

debate, the bill was passed by a vote of 57 to 33.[3] The House accepted the Senate's amendments with no changes on June 6.

Senate Vote on the Reciprocal Trade Agreements Act of 1934[4]

For the Bill--57

Democrats--51

Ashurst	(Arizona)	Hayden	(Arizona)
Bachman	(Tennessee)	King	(Utah)
Bailey	(North Carolina)	Lewis	(Illinois)
Bankhead	(Alabama)	Logan	(Kentucky)
Barkley	(Kentucky)	Lonergan	(Connecticut)
Black	(Alabama)	McCarran	(Nevada)
Bone	(Washington)	McGill	(Kansas)
Brown	(New Hampshire)	McKellar	(Tennessee)
Bulkley	(Ohio)	Murphy	(Iowa)
Bulow	(South Dakota)	O'Mahoney	(Wyoming)
Byrd	(Virginia)	Pittman	(Nevada)
Byrnes	(South Carolina)	Pope	(Idaho)
Caraway	(Arkansas)	Reynolds	(North Carolina)
Clark	(Missouri)	Robinson	(Arkansas)
Connally	(Texas)	Russell	(Georgia)
Coolidge	(Massachusetts)	Sheppard	(Texas)
Copeland	(New York)	Smith	(South Carolina)
Costigan	(Colorado)	Stephens	(Mississippi)
Dieterich	(Illinois)	Thomas	(Oklahoma)
Duffy	(Wisconsin)	Thomas	(Utah)
Erickson	(Montana)	Thompson	(Nebraska)
Fletcher	(Florida)	Tydings	(Maryland)
George	(Georgia)	Van Nuys	(Indiana)
Harrison	(Mississippi)	Wagner	(New York)
Hatch	(New Mexico)	Walsh	(Massachusetts)
		Wheeler	(Montana)

Republicans--5

Capper	(Kansas)	Norbeck	(South Dakota)
Couzens	(Michigan)	Norris	(Nebraska)
La Follette	(Wisconsin)		

Farmer-Laborer

Shipstead	(Minnesota)

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3 Ibid., 10395.
4 Ibid.

Against the Bill--33

Democrats--5

Adams	(Colorado)	Long	(Louisiana)
Dill	(Washington)	Overton	(Louisiana)
Glass	(Virginia)		

Republicans--28

Austin	(Vermont)	Hebert	(Rhode Island)
Barbour	(New Jersey)	Johnson	(California)
Borah	(Idaho)	Kean	(New Jersey)
Carey	(Wyoming)	Keyes	(New Hampshire)
Cutting	(New Mexico)	McNary	(Oregon)
Davis	(Pennsylvania)	Metcalf	(Rhode Island)
Dickinson	(Iowa)	Nye	(North Dakota)
Fess	(Ohio)	Patterson	(Missouri)
Frazier	(North Dakota)	Schall	(Minnesota)
Gibson	(Vermont)	Steiwer	(Oregon)
Goldsborough	(Maryland)	Townsend	(Delaware)
Hale	(Maine)	Vandenberg	(Michigan)
Hastings	(Delaware)	Walcott	(Connecticut)
Hatfield	(West Virginia)	White	(Maine)

(Not Voting--8)

House Vote on the Reciprocal Trade Agreements Act of 1934[5]

For the Bill--274	Against the Bill--111
Democrats--272	Republicans--100
Republicans--2	Democrats -- 11

On the evening of June 12, 1934 in the White House study in the presence of Senator Harrison, Representative Doughton, Secretary Hull, and Assistant Secretary of State Sayre, the President signed the Amendment to the Tariff Act of 1930. The main provisions of the law were:[6]

1. A delegation of power to the President to make foreign trade agreements and to modify existing duties

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[5] Ibid., 5808.

[6] The full text of the law is quoted in Appendix I.

by as much as 50 percent increase or decrease without transferring commodities from dutiable to free list.

2. Reservation of exclusive treatment for Cuba, providing existing preferential duties are not modified by more than a 50 percent increase or decrease.

3. The power delegated to the President to be for a period of three years.

4. Trade Agreements to be in force for three years, and thereafter, until either government should give notice.

5. Nothing in the Act is to give authority to cancel or reduce debts of other nations to the United States.

The Trade Agreements Program went into effect very slowly. The first treaty, which was negotiated with Cuba, was signed on August 24, 1934 and became effective September 3, 1934. Treaties negotiated with Belgium, Haiti, and Sweden in February, March, and May, 1935, went into effect in May, June, and August, respectively. No other treaties went into effect until 1936. One reason for this delay was the length of time required for the detailed investigations involved in the negotiation of a treaty. Another very significant factor in the delay was the conflict between Secretary of State, Hull, and Special Adviser on Foreign Trade, George M. Peek, over policy. Upon this struggle depended the entire future of American commercial policy. It was of basic importance because of

the fact that the two positions represented to a considerable degree the two blocs of commercial policy pitted against each other.

The economic foreign policy of the United States today is a result of the trade philosophy of Cordell Hull. In Congressional debate in 1923 he said:[7]

> It is economic suicide for any important commercial country producing vast surpluses which must be exported and sold in the markets of the world, to maintain a system of high protective tariff taxation.

In 1924 Hull proposed the adoption of a policy of "moderate revenue tariffs, removal of economic barriers...and the maintenance of healthy trading."[8]

In 1927 Hull attacked the McNary-Haugen bill as a solution to the agricultural problem, on the grounds that the solution to the problem lay in the excessively high American tariff. He favored instead a downward revision of the tariff by international trade agreements.

In the House in 1929 he said:[9]

> America...must in the future work towards a constructive and liberal tariff and commercial policy with uniformity of treatment, in the light of the transformation and revolution in our financial, industrial, and commercial affairs since 1914.

During this discourse Hull proposed tariff bargaining combined with the unconditional interpretation of the most-favored-nation clause.

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[7] Congressional Record, 64: 4670, 67 Congress, 2 Session, 1923.
[8] Tasca, op. cit., 83.
[9] Congressional Record, 70: 1071, 70 Congress, 2 Session (December, 1928, January, 1929).

Four points of Hull's trade philosophy were:[10]

1. He was a consistent opponent of excessive duties which he thought should be gradually reduced.

2. He considered tariff bargaining as an effective method of apprcach to the problem of downward revision.

3. He felt that unconditional most-favored-nation treatment must be combined with tariff bargaining.

4. He believed that domestic prosperity was vitally dependent upon international trade.

In 1933, George Peek was removed as administrator of AAA, because of his conflict with Secretary of Agriculture, Henry A. Wallace. He was then made Special Adviser to the President on Foreign Trade for the NIRA. This position gave him a great amount of control over foreign trade, and accounted to a great degree for the failure of the trade agreements program to achieve material results during its initial three years. As Special Adviser, Peek was charged with the task of coordinating the activities of the various governmental organizations having to do with foreign trade under the NIRA. This duty overlapped and conflicted with the authority of the Executive Committee on Commercial Policy, which also coordinated foreign trade policy.

Peek believed in high protective tariffs, abandonment of

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[10] Tasca, op. cit., 84.

the unconditional clause, and that the depression was entirely a domestic problem resulting from the wide difference between agricultural and industrial prices. His commercial policy was directly contradictory to Hull's.[11] As late as June 26, 1934, two weeks after the passage of the Act, it was believed by many that President Roosevelt would choose Peek over Hull to head the program. However, on June 29, 1934, it was officially announced that Cordell Hull and the State Department had been placed in charge of negotiating the new reciprocal trade agreements. Peek faded completely out of the picture in the spring of 1935 when the Supreme Court invalidated the NIRA.

The Amendment to the Tariff Act of 1930 begins, "For the purpose of expanding foreign markets for the products of the United States...," and proceeds to name four underlying objectives:[12]

1. To restore the American standard of living to pre-depression levels.

2. To increase domestic employment.

3. To increase American purchasing power.

4. To maintain a sound relationship between various groups of American producers.

A standard to guide the President is set up in the phrase:[13]

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11 Tasca, _op. cit._, 85.
12 See text of _Act_ to Amend the Tariff of 1930 in the Appendix.
13 _Ibid._

> ...by regulating the admission of foreign goods into the United States in accordance with the characteristics and needs of various branches of American production so that foreign markets will be made available...by affording corresponding market opportunities for foreign products in the United States...

The President is given the power to proclaim modifications of existing duties and other import restrictions, or continuance of such restrictions for minimum periods as may be necessary to carry out any trade agreement which he has made. No proclamation may be made increasing or decreasing by more than 50 percent any existing rate of duty or transferring any article from the free list to the dutiable list or vice versa. The President also has the power to terminate any such proclamation in whole or in part when he shall see fit.[14]

Preferential treatment for Cuba was retained by specific mention. Every trade agreement was to be subject to termination, upon due notice to the foreign government concerned, at the end of not more than three years from the date upon which the agreement became effective. The President's power to make such modifications was to terminate in three years. It has since been renewed in 1937, 1940, 1943, and 1945.[15]

Nothing in the Act was to be construed as giving authority for the cancellation or reduction of the indebtedness of any foreign country to the United States.

"Reasonable public notice of intention to negotiate" must be given in order to give interested persons an opportunity to

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14 *Ibid.*
15 The 1943 agreement was renewed for only two years.

present their views. The President is required to seek information and advice from the Tariff Commission, the Departments of State, Agriculture, and Commerce, and from any other sources which he considers appropriate.

The outstanding feature of the administration of the Trade Agreements Plan is its interdepartmental nature. The administrative organization consists of the following officers and agencies:[16]

- The President
  - The Secretary of State
    - Assistant Secretary of State
      - Division of Commercial Policy of the Department of State
      - Interdepartmental Trade Agreements Committee
        - Country Subcommittees
        - Commodity Subcommittees (textiles, machinery, etc.)
        - Special Subcommittees (quotas, exchange, etc.)
    - Committee for Reciprocity Information

The accompanying chart will aid in an understanding of the relationship of these various agents and agencies. The executive Committee on Economic Foreign Policy, while not a part of the Trade Agreements Organization, is very closely related to it.

The President is responsible for drawing up the broad policies and for the proper execution of the authority given to him. He has final approval of all agreements.

The Secretary of State is the motivating force of the organization. He is responsible for carrying out the policies determined by the President, and for presenting the program to

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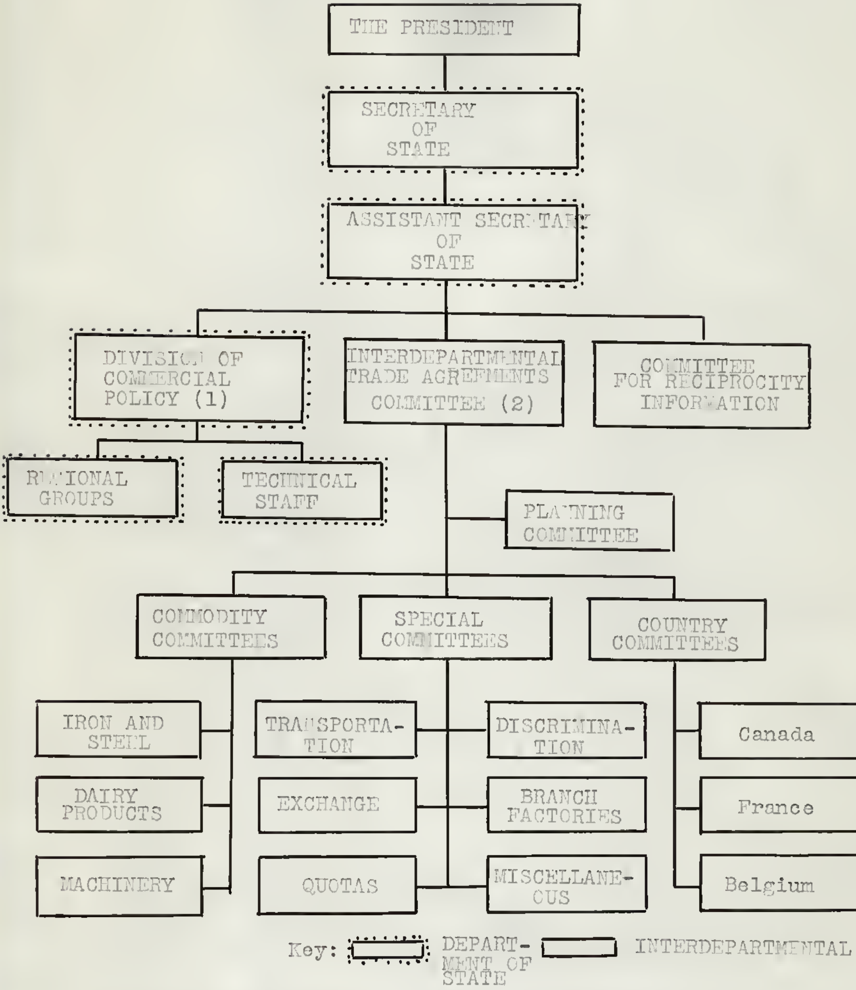
16 "The Reciprocal Trade Agreements Program", op. cit., 35.

THE TRADE AGREEMENTS ORGANIZATION[17]



(1) Until recently known as the Trade Agreements Division.
(2) Until recently known as Committee on Foreign Trade Agreements.

[17] Taken from Henry Joseph Tasca, The Reciprocal Trade Policy of the United States (Philadelphia, 1938), 55 with certain changes to bring up-to-date.

Congress and the public, and for keeping them informed. An Assistant Secretary of State supervises the administration of the act. His main duty is to handle questions of policy which may arise during the negotiation of a treaty. Directly responsible to him is the Division of Commercial Policy. It looks after the administration of the program and handles all trade agreement matters in the Department of State. The Division consists mainly of economic analysts and research assistants.

The chief of Division of Commercial Policy is also the Chairman of the Interdepartmental Trade Agreements Committee, which is the nerve center of the entire trade agreements organization. The Committee is made up of representatives of the Departments of State, Commerce, Agriculture, Treasury, the United States Tariff Commission, and the Office of Price Administration.

Of the various subcommittees of the Interdepartmental Trade Agreements Committee, the most important is the Country Subcommittee. For each country or group of countries with which an agreement is contemplated, a Country Subcommittee is established. It assembles and analyzes all pertinent data, from both official and private sources. This includes material relating to the economic background of the country and its trade relations with the United States. This committee also formulates the schedules of concessions to be requested and those which might be granted. Members of this committee are representatives from the Tariff Commission and the departments of

State, Commerce, Agriculture, and Treasury. Each of these representatives supplies the committee with the information which his department is best equipped to give. In this way, the schedule of concessions to be requested on imports is based on data supplied by the Tariff Commission; on concessions which might be granted on exports by the Department of Commerce; on the general provisions of the agreement from the Department of State; on farm products, both imports and exports, from the Department of Agriculture; and on the revenue aspects of proposed tariff concessions and technical questions of customs classification, from the Treasury.[18]

Commodity Subcommittees have been established to assemble information and study the effects of changes in rates on the more important commodities or groups of commodities. As the need arises other Special Subcommittees are established to study such special problems as quotas, foreign exchange rates, discriminations, reclassification, and other problems.

The Committee on Reciprocity Information, composed of representatives of all the departments concerned with foreign trade, replaces Congressional hearings held under the former method of tariff legislation. The law does not make public hearings mandatory, requiring only that public notice be given. Secretary Hull and President Roosevelt were opposed to the old type of hearing as being too subject to pressure groups. However, interested persons have an opportunity to support or ob-

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18"The Reciprocal Trade Agreements Program," op. cit., 38.

ject to the proposed concessions. The material gathered in this way is submitted to the members of the Country and Trade Agreements Committees.

The Committee for Reciprocity Information is made up of the Vice Chairman of the Tariff Commission, who is usually chairman of the Committee, and of representatives of the Departments of State, Commerce, Agriculture, and the Treasury. Practically all of its members are also members of the Interdepartmental Trade Agreements Committee.[19]

The Executive Committee on Economic Foreign Policy was founded in 1944 to study developments affecting foreign economic policy and to formulate recommendations for the consideration of the Secretary of State and the President. Although not really a part of the trade agreements organization, problems of major importance are referred to it by the Trade Agreements Committee or the Committee for Reciprocity Information.

The first step in negotiating a trade agreement is an analysis of our trade relations with a particular country. Conferences are held between representatives of the United States and the other country to determine the possibility of agreement upon terms. If such a possibility is found to exist, the Department of State issues a notice of intention to negotiate, together with a list of products upon which the United States will consider granting concessions to the other government. At

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[19] Ibid., 39.

the same time the Committee for Reciprocity Information announces in what form written views should be presented to the Committee, the date when hearings upon the agreement are to be held, and requests suggestions concerning proposed concessions to be granted and those to be requested.[20] The information which is secured by this committee through written statements, hearings, and other means, is turned over to the appropriate committees of the interdepartmental trade agreements organization for careful study and recommendations.[21]

On the basis of these preliminary studies the Planning Committee recommends that the Interdepartmental Committee place the country in question on the active list. That Committee then begins conversations with representatives of the other government involved.

The Interdepartmental Committee on Trade Agreements then appoints a "Country Committee" which, through its interdepartmental subcommittees, and the aid of other departments, makes a thorough analysis of the international trade relations between the United States and the country in question. The compilation of much of this material is done by the Tariff Commission experts, as explained by Mr. Oscar B. Ryder, Chairman of the Commission, in the hearings before the Ways and Means Committee on the 1945 extension of the Reciprocal Trade Agreements Act.

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20 Hearings before the Committee on Ways and Means on the 1945 extension of Reciprocal Trade Agreements Act, House of Representatives, 79 Congress, 1 Session (Washington, 1945) 795.

21 Beckett, op. cit., 18.

For each article included in the published list of articles on which the United States will consider granting concessions, the Commission prepares a digest summarizing all the information available on the competitive position of the domestic industry with respect to imports. Each digest, which is prepared by the commodity expert on the article in question, collaborating with economists of the Commission's staff, is reviewed by a committee of the Commission composed of both Democratic and Republican members of the Commission. Every effort is made to have the digest as complete and as objective and devoid of bias as possible.[22]

A consideration of the data sought and studied concerning proposed customs modifications reveals the efforts made by the administrators of the reciprocal trade policy to base the negotiations upon a sound policy. An analysis of each important commodity in the trade between the two countries is made.

When the Country Subcommittee has completed the schedules of concessions to be granted and concessions to be sought, they are submitted to the Interdepartmental Trade Agreements Committee. This Committee studies the schedules carefully and may refer items back to the Country Subcommittee for further study and investigation. Sometimes a special inquiry may be made by the Tariff Commission.[23]

The Trade Agreements Committee then prepares a report

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22 Hearings, op. cit., 796.
23 Hearings, op. cit., 797.

setting forth the concessions it recommends, which is submitted to the Secretary of State for approval or modification.

A few members of the Country Subcommittee and of the Interdepartmental Trade Agreements Committee serve as negotiators. A draft is submitted for final review to the Country Subcommittee, and to the Interdepartmental Trade Agreements Committee. If they approve, it is recommended for official acceptance and sent to the President, who if satisfied, signs, and proclaims it. Agreements usually become effective 30 days after proclamation.[24]

The actual negotiation of each trade agreement is a lengthy and delicate task. The negotiators for the United States and for the other country must weigh the interests of domestic consumers, domestic producers, and foreign exporters in order to arrive at a compromise solution which can be economically and politically justified. We have found special difficulty in attempting to continue unconditional most-favored-nation treatment and yet protect our future bargaining power.

Under unconditional most-favored-nation treatment, the United States must grant immediately to any third nation with which we have a most-favored-nation treaty, the same concessions which we grant to any country with which we negotiate a reciprocal trade treaty. Under conditional treatment, we would grant to the third nation a commercial favor which we had

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[24] "Reciprocal Trade Agreements Program". op. cit., 43.

granted to another nation in a reciprocal trade treaty, only if the third nation gave us the same or an equivalent concession. Under the unconditional most-favored-nation treatment, if we should grant in agreements with a few important nations concessions upon our leading imports from them and generalize these concessions to other nations, we would lessen our bargaining power for future agreements. To avoid this, the chief supplier principle has been adopted as the guiding rule for granting reductions or bindings (freezing of the existing rate) of duties stipulated in the Tariff Act of 1930.

According to this principle the country which is the chief source of supply for certain commodities listed in any specific tariff paragraph is given a reduction in duty upon those commodities. In this way the major benefits of a modification in the Tariff Act of 1930 is granted to the country with which an agreement is negotiated. Even though other nations may receive the duty reduction through the most-favored-nation treatment, the reduction is often of no especial benefit to them because they do not supply us with much of that product.

During the studies made before entering into an agreement with the United Kingdom, investigations were made pertaining to tracing cloth. It was found that we received between 64 and 87 percent of our total imports of tracing cloth from the United Kingdom. The only other foreign source of such cloth was Germany which furnished less than one-half as much as the United Kingdom. There was found to be only one domestic pro-

ducer, a branch of a British firm. The duty on tracing cloth was reduced 33 percent in the agreement with the United Kingdom, and the reduction was generalized to all those nations with which we had most-favored-nation treaties.[25]

The application of the chief supplier principle is not always so simple as this. Sometimes, particularly with small countries, it is impossible to isolate any commodities in which the other country is our chief supplier, or two or more countries may supply almost exactly the same quantity of a certain product, or two countries may alternate as chief suppliers. If one is granted a reduction in duty, bargaining power with the other is lost. To avoid this, negotiations may be undertaken simultaneously with the two countries, or, as is more frequently done, a split concession may be granted. Under this plan the first country is given a small reduction which is extended to the second country under the most-favored-nation treatment. However, the possibility of another reduction is offered to the second country. In this way we retain our bargaining power, and the first nation will eventually receive the total reduction through generalization.

Other weaknesses of the chief supplier principle are that it does not provide for new products, and that concessions in any one agreement are limited to commodities furnished predominantly by that one country, whether or not such products are really significant in the total trade between the two coun-

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[25] Beckett, _op. cit._, 23.

tries. (Example: Quartz crystals from Brazil).

The most serious defect of the chief supplier principle is that it may defeat the unconditional most-favored-nation treatment. This involves the principle of reclassification, which in conjunction with the chief supplier principle, may thwart the most-favored-nation treatment although the pretense of following it is maintained.

Through reclassification, new subdivisions are made in the tariff schedules. Reclassification may be made upon the basis of value, of quality, or by selection of one product from a group of products.

During the 11 years from 1934 to 1945, reciprocal trade agreements have been negotiated with 27 countries. Seventeen of these countries are in the Western Hemisphere, eight are in Europe, and two are in Asia.[26] Table 6 lists the agreements in chronological order, according to the date on which they became effective. In addition to these, notice of intention to negotiate with Bolivia and Paraguay has been announced.

Included among the countries with which we have signed trade agreements were eight of our ten best customers in 1937. In the order of their importance in our trade for that year were the United Kingdom, Canada, France, Mexico, Belgium, Argentina, The Netherlands, and Cuba. Japan and Germany are the only nations among our ten best customers with which we

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26 "Reciprocal Trade Agreements Program," op. cit., 47.

Table 6. Trade agreements signed.[27]

Country	Date signed	Date effective
Cuba	August 24, 1934	September 3, 1934
Belgium (& Luxemburg)	February 27, 1935	May 1, 1935
Haiti	March 28, 1935	June 3, 1935
Sweden	May 25, 1935	August 5, 1935
Brazil	February 2, 1935	January 1, 1936
Canada (see revised agreement below)	November 15, 1935	January 1, 1936
Kingdom of the Netherlands (Netherlands Indies, Surinam, and Curacao)	December 20, 1935	February 1, 1936
Switzerland	January 9, 1936	February 15, 1936
Honduras	December 18, 1935	March 2, 1936
Colombia	September 13, 1935	May 20, 1936
Guatemala	April 24, 1936	June 15, 1936
France & its colonies, dependencies, & protectorates other than Morocco	May 6, 1936	June 15, 1936
Nicaragua (a)	May 11, 1936	October 1, 1936
Finland	May 18, 1936	November 2, 1936
El Salvador	February 19, 1937	May 31, 1937
Costa Rica	November 28, 1936	August 2, 1937
Czechoslovakia (b)	March 7, 1938	April 16, 1938
Ecuador	August 6, 1938	October 23, 1938
United Kingdom, including Newfoundland & the British Colonial Empire	November 17, 1938	January 1, 1939
Canada (revisions of agreement of 1935	November 17, 1938	January 1, 1939
Turkey	April 1, 1939	May 5, 1939
Venezuela	November 6, 1939	December 16, 1939
Cuba (supplementary agreement)	December 18, 1939	December 23, 1939
Canada (supplementary agreement) (c)	December 30, 1939	January 1, 1940
Canada (supplementary agreement)	December 13, 1940	December 20, 1940
Argentina	October 14, 1941	November 15, 1941
Cuba (supplementary agreement)	December 23, 1941	January 5, 1942
Peru	May 7, 1942	July 29, 1942
Uruguay	July 21, 1942	January 1, 1943
Mexico	December 23, 1942	January 30, 1943
Iran	April 8, 1943	June 28, 1943
Iceland	August 27, 1943	November 19, 1943

(a) Certain provisions of the trade agreement ceased to be in force as of March 10, 1938.

(b) The operation of this agreement was suspended as of April 22, 1945.

(c) Superseded by supplementary agreement signed December 13,1940.

27 "Reciprocal Trade Agreements Program." op. cit., 47.

did not sign agreements.[28] The United States granted reduction in duties on 1190 items, of which 265 were agricultural products. Existing rates were bound against increases on 62 items, and duty free bindings were granted for one or more products included under 120 paragraphs of the Tariff Act of 1930.[29]

Practically every type of commodity exported from the United States has been included in the agreements. Many of the concession products were significant in our trade in terms of dollar value. Others were relatively insignificant in the total volume of our trade, but significant to the importing country. Others were mere window dressing.

It is the general provisions which give force to the trade agreements. The purpose of the agreements is to expand international trade, and this purpose is stated in the preamble along with the expression of the desire of the President of the United States, and the representative of the other country to foster mutually friendly relations between the two countries. Following the preamble are schedules of duty concessions. Articles enumerated in the schedules are exempt on importation into the other country, from ordinary customs duties above those set forth in the schedule, and from all other duties, taxes, or fees which may be charged in connection with importation. There may be no restriction of the quantity

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28 "Foreign Trade Agreements", House of Representatives Report No. 594, from Committee on Ways and Means, 79 Congress, 1 Session, 1945.

29 United States Department of State, "Summary of Concessions Obtained and Granted", 2 page mimeograph (April, 1945).

of an article imported unless such a restriction is provided for in the agreement. The basis of valuation for ad valorem duties may not be changed.[30]

Through generalization under the most-favored-nation clause the benefits granted to each country by the other, are extended to any third country with which either country may have granted or may lator negotiate treaties. Any advantage which either country may have granted or may grant in the future is also extended to the negotiating country. The administration of quotas is safeguarded against discrimination, and the right to impose quotas is limited.

Reservations are made concerning the application of the unconditional most-favored-nation treatment to the territories and possessions of either country. All agreements provide that the treatment accorded by the United States to Cuba, the Panama Canal Zone, the Philippine Islands, or any other territory or possession, or the treatment which they accord to one another, shall not be generalized. Each government guarantees free and equal treatment from any government monopolies which it may have.

Most agreements go into effect thirty days after proclamation by the heads of the two governments concerned and remain in force for three years thereafter. Some are for shorter periods. If either government wishes to terminate the agree-

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[30] Beckett, op. cit., 38.

ment, it must give notice of such intention six months before the expiration date. Otherwise the contract will remain in force until six months after such notice has been given.

It is also possible for one party to the agreement to suggest re-negotiation or modification if the need arises.

Provisions are made for emergency termination after a thirty day notification period, in case changing conditions cause dissatisfaction which cannot be amicably settled after "sympathetic consideration."

Tariff concessions are of three kinds: reduction or removal of duties; duty bindings; and free list bindings. We have granted 1600 concessions which reduce or remove duty rates, and 628 duty bindings. Duty and free list bindings merely maintain the status quo, preventing further restrictions but they do not expand world trade. It is regrettable that many of the duty bindings were not reductions.

Belgium, France, The Netherlands and Switzerland are the outstanding countries operating under a quota system. From them we received increased quotas, the binding of quotas, or the assurance of new quotas where before we had none. In our agreement with the United Kingdom, Newfoundland, and the non-self-governing colonies, certain margins of imperial preference were reduced, abolished, or bound. These gains were particularly important in the case of wheat and lard.[31]

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[31] Ibid., 65.

Figures of the United States Tariff Commission indicate that most concessions are from nations which are the chief suppliers. For 130 of the 160 import commodities valued at $500,000 or more each in 1939, the countries making the concessions were the chief suppliers. The value of these 130 commodities was 91 percent of the total value of the entire group of 160 imports. Agreements dealing with thirteen other commodities were made with second largest suppliors, accounting for three percent of the imports of the group.[32]

Table 7 shows tho number of countries granting concessions on our important exports.

Cotton has ontered many countries free of duty, so there is not much opportunity to drive a significant bargain. Cotton has not benefited much from the reciprocal program. It has been bound on the free list in several agreements. Duty concessions on tobacco have been bound more often than they have been reduced. Concessions have been granted by foreign countries on several grains and grain products, but the concessions on any one product have not been large. Wheat was bound duty free in the agreement with the United Kingdom, and reduced 60 percent in the first agreemont with Canada. Holland guaranteed the United States at least five percent of her annual foreign milling wheat purchases, and Switzerland granted us a new quota.[33] The United Kingdom and Canada each bound the

32 "Reciprocal Trade Agreements Program", op. cit., 58.
33 Beckett, op. cit., 59.

Table 7. Number of countries granting concessions on important groups of products exported from the United States.[34]

Major groups of products	Concessions of any kind, including bindings of existing treatment	Reduced duties, larger quotas, etc.
Agricultural products		
Fruits, vegetables, and preparations	26	23
Grains and preparations	21	18
Meats and meat products	18	16
Dairy products and eggs	13	9
Unmanufactured leaf tobacco	11	4
Fodders and feeds	9	3
Raw cotton	7	0
Raw hides and skins, except furs	4	2
Non-agricultural products		
Vehicles, parts, and accessories	23	15
Machinery and parts	24	19
Chemicals and related products	22	19
Leather and leather products	22	10
Fish	21	19
Rubber and rubber products	23	16
Iron and steel products except machinery and vehicles	20	13
Wood and paper products	18	15
Textile manufactures	17	11
Films and other photographic equipment	14	5
Petroleum and petroleum products	14	5
Tobacco manufactures	11	5
Naval stores	9	3
Copper and manufactures	8	4
Musical instruments and parts	6	5
Glass and glass products	6	3
Cement	5	3
Zinc and manufactures	4	4
Aluminum and aluminum products	3	3
Surgical instruments and appliances	3	1
Lead and manufactures (including solder)	2	2
Silver and manufactures	2	2

34 "Reciprocal Trade Agreements Program", op. cit., 60.

duty-free entry of corn.

In 1935 Canada made reductions ranging from 12 to 65 percent on fresh meats, bacon, ham, lard, cured meats, extracts and other meat products.[35] Concessions have been granted by 17 other countries on American meat or other animal products. The United Kingdom removed entirely her ten percent duty on lard, the third ranking item in value among our agricultural exports to her, and Cuba has reduced her tax on that commodity from 9.6 cents a pound to 1.5 cents a pound, in addition to abolishing her consumption tax of one cent per pound.[36]

Many concessions have been granted on fresh fruits, dried fruits, and vegetables. The United Kingdom, one of the most important markets for fresh apples, cut her duty on them 33 percent seasonally.

Concessions were obtained on leather and lumber products. Very few were obtained on petroleum products, and primary iron and steel products. Canada and England cut the duties on certain types of farm machinery. Significant concessions were also granted on construction and conveying machinery, mining and quarry machinery, power-plant equipment, and textile, and printing and binding machinery, as well as upon business machines such as accounting and calculating machines

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35 Sayre, op. cit., 178.
36 Ibid.

and typewriters. Substantial reductions were obtained from several countries on motor vehicles. All but four agreements have granted concessions on rubber tires.[37] There have been concessions on paints, varnishes, enamels and lacquer in 11 agreements, on rayon and synthetic textiles in eight, on cotton yarn in five, and on various cotton textile manufactures in 11.[38]

Concessions granted by the United States have consisted of reductions of not more than 50 percent in the rates established by the Tariff Act of 1930, or bindings of the existing rate, or of the free list. Concessions have been offered on items in each of the 1930 schedules. Reductions and duty bindings have most often been made on these schedules: metals and metal manufactures; sundries; agricultural products and provisions; chemicals, oils and paints; and earths, earthenware, and glassware. Many of the free list bindings are produced in insignificant quantities here. These concessions reduced the average ad valorem rate from 45 percent to 38 percent. Like the concessions granted to us on our exports, many of the concessions granted by us on our imports, have been significant in our total trade, while others have meant little to us, though perhaps of great importance to the other country. Table 8 lists the concessions made by the United States up to January 1940.

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37 Beckett, op. cit., 64.
38 Sayre, op. cit., 181.

Table 8. Number of rates reduced and number of rates bound by trade agreements and in effect on January 1, 1945[39] (a) (Arranged according to the total number of rates reduced and bound).

Tariff schedule	Total number of rates reduced & bound	Number of rates reduced(b)	Number of rates bound(c)
7. Agricultural products and provisions	253	235	18
3. Metals & manufactures of	246	233	13
15. Sundries	194	187	7
1. Chemicals, oils, & paints	133	126	7
2. Earths, earthenware, & glassware	92	86	6
11. Wool & manufactures of	84	80	4
9. Cotton manufactures	55	54	1
10. Flax, hemp, jute, & manufactures of	47	44	3
14. Papers and books	47	44	3
4. Wood & manufactures of	28	28	-
12. Silk manufactures	22	22	-
8. Spirits, wines, & other beverages	17	17	-
Free List (taxable on importation)	7	7	-
6. Tobacco & manufactures of	10	10	-
5. Sugar, molasses, & manufactures of	9	9	-
13. Manufactures of rayon or other synthetic textile	8	8	-
Total	1,252	1,190	62

(a) United States Tariff Commission.

(b) Rates reduced in two or more agreements have been counted only once.

(c) Rates bound in two or more agreements have been counted only once.

Rates reduced and subsequently bound, or bound and later reduced, have been counted only as reductions and have not been included in this column. Bindings of free entry are not included.

39 "The Reciprocal Trade Agreements Program," op. cit., 49.

The most important item on which duty reductions had been made by April 1, 1945 was cane sugar from Cuba. The duty had been reduced 50 percent. Second in importance was whiskey on which the duty was also reduced 50 percent in the 1939 agreement with Canada. Important reductions were granted on nickel and cigarette leaf tobacco in the treaties with Canada and Turkey respectively. Duties on aluminum, aluminum scrap and alloys were reduced somewhat.

The United Kingdom was granted reductions upon textiles, the concession varying with the thread content of the material. Specialities such as scientific instruments, silk undergarments, and coal-tar dyes from Switzerland were given major concessions, as were fine laces from Belgium, France, the United Kingdom, and Switzerland. Other concessions were granted on jewelry, perfumery, cosmetics, liquors, plate glass, and flax. High priced iron and steel specialities and matches from Sweden also received concessions.

Reductions of approximately one-third have been made upon both wrapper and filler tobacco. Less substantial reductions were made upon cheese, and seeds, and bulbs, among the products upon which Canada was granted reductions. The duty on manganese ore was lowered in the agreement with Brazil from one cent per pound to one-half cent on the metallic manganese content of the ore.[101] Brazil is not the chief supplier of manganese ore, as Russia, and at times, the Gold Coast, British India, or Cuba have sent us more manganese ore than Brazil. The very small

domestic manganese industry had had prohibitive protection, and consequently the price of the metal had been exorbitant.

It is evident that the trade agreements were not the only factor in the increase of United States trade. Other factors in the national and international situation certainly were in part responsible. Included among these were the prolonged drought in the midwestern farming area of the United States, the payment of subsidies, the efforts of many nations, particularly Germany and Italy, to make themselves self-sufficient, the natural upswing of the business cycle, armament programs, and war. Another factor which makes it difficult to accurately measure the effects of the trade agreements program is that of interpreting the trade statistics kept by the different countries. For instance, foreign countries list their exports by the name of the commodities, while we list ours by the number of the paragraph in the tariff schedule.[40]

Because of the war, the results of the trade agreements program can be evaluated only for the period from the date of enactment, June 12, 1934, to the end of 1939. The first agreement, which was signed with Cuba, did not become effective until September 3, 1934, and the next one, with Belgium and Luxemburg, did not go into effect until May 1, 1935. At the end of 1935 only four treaties had been negotiated. At the

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[40] Beckett, _op_. _cit_., 78.

end of 1939 there were 21 treaties in effect. This is clearly too short a period on which to base conclusive evidence. However, from a study of the trade changes during this period the trend can be noted, and some opinion formed as to the effectiveness of the trade agreements program.

In evaluating the results of the program, some method must be adopted which, as nearly as possible, will rule out all other factors. The Department of State, and other writers, do this by adopting the following measurements as a basis:[41]

1. A comparison of the change in the proportion of world trade transacted by the United States in relation to the changes in the proportion of world trade transacted by the other 108 countries for which the League kept statistics.

2. A comparison of the changes in the proportion of total foreign trade of the United States conducted with agreement countries, and that conducted with non-agreement countries.

3. A comparison of the changes in trade in concession and nonconcession items from agreement countries.

American foreign trade had been on the increase since 1932. From $1,611,000,000 for exports and $1,323,000,000 for imports, United States trade had recovered by 1935 to the ex-

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[41] Beckett, op. cit., 78.

tent of $2,283,000,000 and $2,047,000,000 respectively. Figures 4 and 5 show the upturn of world and United States trade. Statistics for 1934-35 showed increases in all non-agreement areas except Asia, and in all agreement areas except Netherlands and Colombia where there was an increase in 1934, but a decrease in 1935.[42]

Trade expanded more rapidly with agreement than with non-agreement countries. Total exports increased 7.7 percent in 1936, but exports to non-agreement countries increased only 4.1 percent. Total imports into this country increased 18.7 percent. Imports from countries with which agreements were in effect all or part of 1935 increased 21 percent as compared with 16.5 percent for all other countries. The increases in exports to and imports from these countries with which agreements were in effect at the beginning of 1936 (Cuba, Belgium, Haiti, Sweden, and Brazil), were 15.9 percent and 24.3 percent respectively.[43]

The average value of our total trade with all trade agreement countries in 1937-38 was 47.9 percent greater than in 1934-35, while the value of our total trade with non-agreement countries during the same period increased by only 37.5 percent. During the trade recession of 1938 both our exports and our total foreign trade declined less with agreement countries than with non-agreement countries.

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42 Tasca, op. cit., 270.
43 Ibid., 271.

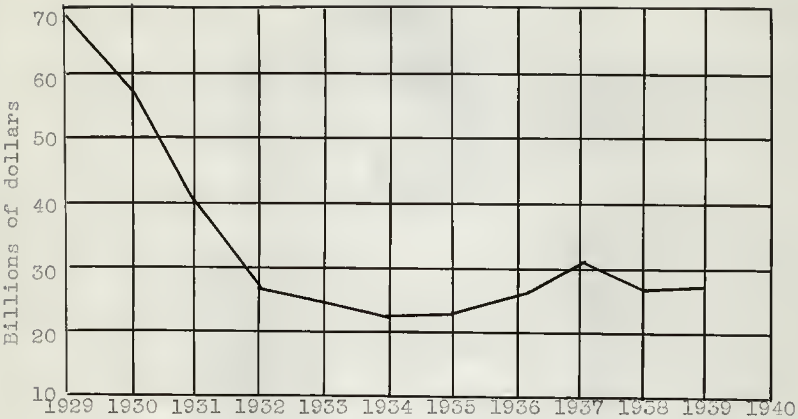

Fig. 4: Decline of world trade, 1929-1939.

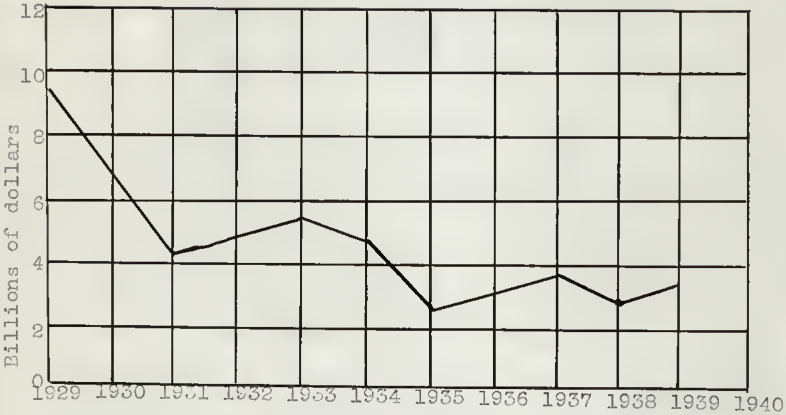

Fig. 5: Decline of United States trade, 1929-1939.

During 1936 our exports to agreement countries increased by 14.1 percent over 1935, while our exports to non-agreement countries increased by but 4.0 percent. During 1937 exports to the agreement countries increased by 40.6 percent over 1936 while exports to non-agreement countries increased by 33.7 percent. In 1938 our total exports, reflecting the general business recession, declined by about eight percent as compared with 1937. In the two years 1937 and 1938, however, United States exports to the agreement countries averaged 61.2 percent greater than in 1934 and 1935 but our exports to all other countries increased by only 37.9 percent.[44]

The following table shows the percentage of United States trade with agreement countries.

Table 9. Percentage of United States trade with agreement countries.[45]

Year	Total trade	General imports	General exports
1937	66	67	65
1938	66	67	65
1939	68	68	68

Almost twenty percent of our total trade was with the Latin American countries, and of this trado ten percent was with the agreement countries.[46]

44 Sayre, op. cit., 183.
45 United States Department of State, "Trade Coverage of Agreements," 1 page mimeograph (March, 1945).
46 Ibid.

The value of Canadian imports from the United States amounted to $312,000,000 in 1935, the pre-agreement year, and to $359,000,000 in 1936 a gain of 18 percent. The increase of imports from the United States to Canada was 30 percent. In 1937 Canadian imports from the United States were valued at $419,000,000. Although our exports to Canada declined by eight percent in 1938, the average for 1937 and 1938 was 56.2 percent greater than for 1934-35.[47]

Exports from Canada to the United States of concession items increased 79.6 percent from 1935 to 1936. Exports of non-concession items increased only 15.2 percent.[48] The upswing of the business cycle was probably responsible for some of this, but trade agreements were apparently responsible for the greater-than-average increase in the importation of commodities upon which duties were reduced.

The value of goods sold to Cuba increased from $23,000,000 in 1933 to $56,000,000 in 1935. Cuba sent us goods valued at $66,000,000 in 1936, and at $89,000,000 in 1937, representing gains of 187 and 287 percent over 1933. Despite a decline of 17.3 percent in our exports to Cuba in 1938 over 1937, the average for the two year period 1937-38 showed an increase of 59.9 percent over the 1934-35 average.[49]

The trade of the United States and the countries with

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47 Sayre, op. cit., 185.
48 Beckett, op. cit., 106.
49 Sayre, op. cit., 184.

which we have signed agreements constitutes almost three-fifths of the total international trade of the world. Exports and imports of the United States, the United Kingdom, and Canada, alone, constitute one-third of the total trade of the world.

There has been no startling increase in world trade, but a definite upswing can be noted. None of the world's great economic problems have been solved. Our reciprocal program has been a step towards trade liberalization and against trade discrimination.

We have gained much from the program in addition to increased trade. Each nation promises to accord favorable rates on custom duties, guarantees against discrimination, increased duties, reduced quotas or other forms of restriction. At the same time that we are expanding our trade we are building for ourselves a feeling of friendship among the peoples of the world, while when we were building the tariff wall other countries resented our policy and discriminated against us.

CHAPTER IV

EXTENSIONS AND MODIFICATIONS OF THE RECIPROCAL TRADE AGREEMENTS ACT OF 1934

The Reciprocal Trade Agreements Act was to run for three years. In 1937 and again in 1940 the President's power to negotiate trade agreements was extended for three years. In 1943, the extension was for only two years. During this entire period the authority of the executive to increase or decrease the rates 50 percent of those established in 1930 remained unchanged.

In January, 1945, the Doughton bill (H.R.3240) was introduced into the House of Representatives. This bill extended the President's authority to enter into trade agreements until 1948, and provided that the modification of rates by a 50 percent increase or decrease should be based on the rates in effect on January 1, 1945.[1] Since many of these rates would already have been decreased 50 percent of the 1930 rates, this new proposal would actually mean that the 1930 rates could be decreased by 75 percent. Although the law permitted increases no rates have ever been raised.

On March 26, President Roosevelt requested Congress to ex-

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[1] See text in Appendix.

tend the additional authority for this reason:[2]

> You will realize that in negotiating agreements with any foreign country what we can accomplish depends on what both parties can contribute. In each of the agreements we have made we have contributed reductions on products of special interest to the other party to the agreement, and we have obtained commensurate contributions in the form of concessions on products of special interest to us...
>
> ...We are left in this situation: Great Britain and Canada, our largest peace-time customers, still maintain certain high barriers against our exports, just as we still have high barriers against theirs. Under the act as it now stands we do not have enough to offer these countries to serve as a basis for the further concessions we want from them.

The same situation existed in a lesser degree, in the case of the other countries with whom we had already made agreements. In 1945, 11 years after the act was first passed, cuts of 50 percent had been made in 42 percent of our dutiable imports and cuts of less than 50 percent in 20 percent of our dutiable imports.[3]

The Ways and Means Committee held hearings on the bill from April 18 to May 14, 1945. Witnesses were heard both for and against the proposed reduction of rates. There was no opposition to extending the President's authority to make trade agreements, but there was much opposition to reducing rates. Experts of the interdepartmental organization appeared before the

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[2] House of Representatives, Hearings before the Committee on Ways and Means on H.R. 3240, Extension of Reciprocal Trade Act. 79 Congress, 1 Session, 1945: 4.

[3] House of Representatives Report No. 594: 8, 79 Congress, 1 Session, 1945.

Committee to speak in favor of the bill. Included among them were Mr. Oscar B. Ryder, Chairman of the United States Tariff Commission; Mr. Edward R. Stettinius, Secretary of State; Mr. Henry A. Wallace, Secretary of Commerce; Mr. Claude R. Wickard, Secretary of Agriculture; and Mr. William L. Clayton, Assistant Secretary of State for Economic Affairs.

Representatives of many exporting and importing industries, of agriculture and mining, were heard. More witnesses opposed the bill, than favored it, but since many of those opposing it, were plainly concerned only with their own interests without regard for the effect upon either the national or international situation, the committee felt that the evidence collected favoring the bill far outweighed that against it, and accordingly recommended the measure for passage.

While the hearings were in progress, the House Special Committee on Post-War Economic Policy and Planning (the Colmer Committee) issued its report, in which it specifically recommended the passage of the bill.[4]

The Majority Report reviewed and praised the administration of the bill, and its results, and stated that henceforth "no effective action" could be taken without the extension of authority requested in the bill. In their report the minority group stated that they believed in the principle of commercial reciprocity as a logical method of doing business, but that

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[4] House Report, op. cit., 22.

they differed with the theory that reciprocity should serve ideological interests of nations.

As sent to the House, the bill included these provisions:[5]

1. The President's authority to enter into foreign trade agreements under section 350 of the Tariff Act of 1930 was extended for an additional period of three years.

2. The President was authorized to make modifications in duties up to 50 percent of the rates existing on January 1, 1945.

3. Emergency or wartime reduction in rates of duty was prohibited as a basis for the application of the increased authority.

4. The restoration to force of any trade agreement with a foreign nation taken over by Germany was prohibited.

5. The War and Navy Departments were added to those to be consulted by the President.

President Truman sent a message to the House asking for all of the authority contained in the bill as "of the first order of importance to the success of my administration."[6]

The bill passed the House on May 26 by a vote of 239 to 153.

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[5] Ibid., 1.
[6] New York Times, May 27, 1945.

Hearings before the Senate Finance Committee ended June 6. Several amendments were proposed in the Senate, but the bill passed on June 2, exactly as it had come from the House, and was signed by President Truman on July 5, 1945.

Senate Vote on the 1945
Extension of the Reciprocal Trade Agreements Act[7]

For the Bill--54

Democrats--38

Bailey	(North Carolina)	Kilgore	(West Virginia)
Barkley	(Kentucky)	Lucas	(Illinois)
Bilbo	(Mississippi)	McClellan	(Arkansas)
Briggs	(Missouri)	McFarland	(Arizona)
Byrd	(Virginia)	McKellar	(Tennessee)
Chandler	(Kentucky)	McMahon	(Connecticut)
Chavez	(New Mexico)	Mead	(New York)
Downey	(California)	Mitchell	(Washington)
Eastland	(Mississippi)	Murdock	(Utah)
Ellender	(Louisiana)	Myers	(Pennsylvania)
Fulbright	(Arkansas)	Overton	(Louisiana)
George	(Georgia)	Pepper	(Florida)
Green	(Rhode Island)	Radcliffe	(Maryland)
Guffey	(Pennsylvania)	Stewart	(Tennessee)
Hatch	(New Mexico)	Taylor	(Idaho)
Haydon	(Arizona)	Thomas	(Oklahoma)
Hill	(Alabama)	Thomas	(Utah)
Hoey	(North Carolina)	Tunnell	(Delaware)
Johnston	(South Carolina)	Wagner	(New York)

Republicans--15

Aiken	(Vermont)	Ferguson	(Michigan)
Austin	(Vermont)	Morse	(Oregon)
Ball	(Minnesota)	Reed	(Kansas)
Bridges	(New Hampshire)	Saltonstall	(Massachusetts)
Brook	(Illinois)	Smith	(New Jersey)
Burton	(Ohio)	Tobey	(New Hampshire)
Capehart	(Indiana)	Wilson	(Iowa)
Donnell	(Missouri)		

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[7] Congressional Record, 79 Congress, 1 Session, 6476.

Progressives--1

La Follette (Wisconsin)

Against the Bill--21

Democrats--5

Gerry	(Rhode Island)	O'Daniel	(Texas)
Johnson	(Colorado)	O'Mahoney	(Wyoming)
		Walsh	(Massachusetts)

Republicans--16

Brewster	(Maine)	Revercomb	(West Virginia)
Butler	(Nebraska)	Robertson	(Wyoming)
Capper	(Kansas)	Shipstead	(Minnesota)
Gurney	(South Dakota)	Taft	(Ohio)
Hawkes	(New Jersey)	Wherry	(Nebraska)
Langer	(North Dakota)	White	(Maine)
Milliken	(Colorado)	Wiley	(Wisconsin)
Moore	(Oklahoma)	Young	(North Dakota)

Pairs

Tydings, (Maryland), Democrat, for and Bushfield, (South Dakota), Republican, against; Russell, (Georgia), for, and Cordon, (Oregon), Republican, against; Magnuson, (Washington), Democrat, for, and Hickenlooper, (Iowa), Republican, against; Maybank, (South Carolina), Democrat, for, and Willis, (Indiana), Republican, against; Bankhead, (Alabama), Democrat, for, and Thomas, (Idaho), Republican, against; Glass, (Virginia), Democrat, for, and Wheeler, (Montana), Democrat, against; Andrews, (Florida), Democrat, for, and McCarran, (Nevada), Democrat, against.

House Vote on the 1945
Extension of the Reciprocal Trade Agreements Act[8]

For the Bill--239		Against the Bill--153	
Democrats	--205	Republicans	--140
Republicans	-- 33	Democrats	-- 12
Minor Parties	- 1	Minor Parties	- 1

Paired--22

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[8] Congressional Record 91: 5259, 79 Congress, 1 Session.

Comparison of Senate Vote by sections of the Country on the Tariff Act of 1930 and the Reciprocal Trade Agreements Acts of 1934 and 1945

		1930		1934		1945	
		Yea	Nay	Yea	Nay	Yea	Nay
6	New England States--Maine, New Hampshire, Vermont, Massachusetts, Connecticut, and Rhode Island	11	1	4	8	7	4
6	Middle Atlantic States--New York, Pennsylvania, New Jersey, Maryland, Delaware, West Virginia	9	3	2	7	9	2
4	Lake States--Ohio, Indiana, Illinois, Michigan	8	0	5	2	5	2
13	Southern States--Virginia, North Carolina, South Carolina, Georgia, Florida, Mississippi, Alabama, Texas, Arkansas, Oklahoma, Kentucky, Tennessee, Louisiana	5	21	21	3	23	2
8	Middle Western Farm States--Wisconsin, Minnesota, Iowa, Missouri, Kansas, Nebraska, North Dakota, South Dakota	3	12	10	4	6	10
6	Inter-Mountain States--Montana, Wyoming, Colorado, Utah, Idaho, Nevada	7	5	9	3	3	7
2	Southwestern States--Arizona, New Mexico	1	3	3	1	4	0
3	Pacific Coast States--California, Oregon, Washington	5	1	1	4	4	1

Summary of Senate Vote by sections of the Country on the Tariff Act of 1930 and the Reciprocal Trade Agreements Acts of 1934 and 1945

	For	Against
1930	New England Middle Atlantic Lake Inter-Mountain Pacific	South Midwest Southwest
1934	*Lake South Midwest *Inter-Mountain Southwest	New England Middle Atlantic Pacific
1945	*New England *Middle Atlantic Lake South Southwest *Pacific	*Midwest *Inter-Mountain

* Indicates a change of attitude since the passage of the previous bill.

In 1930 the industrial sections of the New England, Middle Atlantic, Lake and Pacific states, and the mining area of the Mountain states favored a protective tariff while the agricultural sections of the South and West were opposed to it.

In 1934 New England, the Middle Atlantic, and the Pacific areas registered their continued approval of the Act of 1930 by voting against the Reciprocal Trade Agreements Act. The Lake states, where the automobile industry centered at that time, favored lowered tariffs. There had been a great loss in the markets for automobiles because of the retaliatory actions of foreign countries, including quotas and prohibitive tariffs. The mining-sugar beet growing Mountain states also favored the

trade agreements.

In 1934, expanding domestic and foreign markets had changed the attitude of the industrial areas. In 1934 they all voted for the act extending the trade agreements, making it possible to lower the rates another 25 percent of those in the Act of 1930. The cotton producing South and Southwest, which needed still greater markets for their surpluses, also favored the bill. However, the agricultural West and the metal producing Mountain states opposed a further reduction in rates.

In the hearings before the Ways and Means Committee the American Federation of Farm Bureaus and the National Farmer's Union whole-heartedly favored the passage of the bill. The National Grange asked for an extension of no more than one year, and no reduction of rates, while the National Association of Commissioners, Secretaries, and Directors of Agriculture asked that parity prices on agricultural products be maintained.[9]

Comparison of the House Vote by political parties on the Tariff Act of 1930 and the Reciprocal Trade Agreements Acts of 1934 and 1945

	1930		1934		1945	
	Yea	Nay	Yea	Nay	Yea	Nay
Republicans	208	20	2	100	35	140
Democrats	14	132	272	11	205	12
Minor Parties	0	1	0	0	1	1
Pairings	23	23	-	-	11	11
Total	245	176	274	111	250	154

9 Hearings, op. cit., 1600, 2930, 2645, and 1224.

A summary of this vote follows:

Summary of the House Vote by political parties on the Tariff Act of 1930 and the Reciprocal Trade Agreements Acts of 1934 and 1945

	For	Against
1930	Republican	Democratic
1934	Democratic	Republican
1945	Democratic	Republican

The two major political parties have maintained their traditional positions. The Republicans still favored the protective tariff, and the Democrats still believed in lowering the rates. The greatest departure from long standing policy was in the vote of 35 Republicans for the 1945 Act.

By means of the reciprocal trade agreements, the Democratic administration has secured reductions in tariff rates without rewriting the general tariff schedules. There are decided advantages in this which make for a more efficient and just determination of rates. The 435 representatives and 96 senators cannot possibly be informed upon all of the thousands of items included in the general tariff schedule. They are subjected to pressure from their constituencies and from other special interest groups. The members of the Trade Agreements organization have a much better chance to be informed on the items of the schedule with which they deal, and, although, not free from pressure, they are not so subject to it as are the Congressmen who must please the voters at home. Riders favoring special groups cannot be attached to bills changing the rates as they were when rates were revised in Congress.

The erection of tariff walls by one country against other countries leads to economic rivalry throughout the world and the lessening of the trade of all countries. Economic rivalry brings about political rivalry. Therefore the reduction of trade barriers throughout the world will aid in establishing a peaceful world order. "Equal access to raw materials", set up as a peace aim in both world wars, can be attained only through mutual cooperation on the part of all countries. The dominating position which the United States holds makes it her responsibility to lead in this cooperative effort.

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APPENDIX

PUBLIC--No. 316--73d C NGRESS

(H.R. 8687)

AN ACT

To amend the Tariff Act of 1930.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Tariff Act of 1930 is amended by adding at the end of title III the following:

"PART III--PROMOTION OF FOREIGN TRADE

"Sec. 350. (a) For the purpose of expanding foreign markets for the products of the United States (as a means of assisting in the present emergency in restoring the American standard of living, in overcoming domestic unemployment and the present economic depression, in increasing the purchasing power of the American public, and in establishing and maintaining a better relationship among various branches of American agriculture, industry, mining, and commerce) by regulating the admission of foreign goods into the United States in accordance with the characteristics and needs of various branches of American production so that foreign markets will be made available to those branches of American production which require and are capable of developing such outlets by affording corresponding market opportunities for foreign products in the United States, the President, whenever he finds as a fact that any existing duties or other import restrictions of the United States or any foreign

country are unduly burdening and restricting the foreign trade of the United States and that the purpose above declared will be promoted by means hereinafter specified, is authorized from time to time--

"(1) To enter into foreign trade agrements with foreign governments or instrumentalities thereof; and

"(2) To proclaim such modifications of existing duties and other import restrictions, or such additional import restrictions, or such continuance, and for such minimum periods, of existing customs or excise treatment of any article covered by foreign trade agreements, as are required or appropriate to carry out any foreign trade agreements that the President has entered into hereunder. No proclamation shall be made increasing or decreasing by more than 50 per centum any existing rate of duty or transferring any article between the dutiable and free lists. The proclaimed duties and other import restrictions shall apply to articles the growth, produce, or manufacture of all foreign countries, whether imported directly, or indirectly: Provided, That the President may suspend the application to articles the growth, produce, or manufacture of any country because of its discriminatory treatment of American commerce or because of other acts or policies which in his opinion tend to defeat the purposes set forth in this section; and the proclaimed duties and other import restrictions shall be in effect from and after such time as is specified in the proclamation. The President may at any time terminate any such proclamation in whole or in part.

"(b) Nothing in this section shall be construed to prevent the application, with respect to rates of duty established under this section pursuant to agreements with countries other than Cuba, of the provisions of the treaty of commercial reciprocity concluded between the United States and the Republic of Cuba on December 11, 1902, or to preclude giving effect to an exclusive agreement with Cuba concluded under this section, modifying the existing preferential customs treatment of any article the growth, produce, or manufacture of Cuba: Provided, That the duties payable on such an article shall in no case be increased or decreased by more than 50 per centum of the duties now payable thereon.

"(c) As used in this section, the term 'duties and other import restrictions' includes (1) rate and form of import duties and classification of articles, and (2) limitations, prohibitions, charges, and exactions other than duties, imposed on importation or imposed for the regulation of imports."

Sec. 2. (a) Subparagraph (d) of paragraph 369, the last sentence of paragraph 1402, and the provisos to paragraphs 371, 401, 1650, 1687, and 1803 (1) of the Tariff Act of 1930 are repealed. The provisions of sections 336 and 516(b) of the Tariff Act of 1930 shall not apply to any article with respect to the importation of which into the United States a foreign trade agreement has been concluded pursuant to this Act, or to any provision of any such agreement. The third paragraph of section 311 of the Tariff Act of 1930 shall apply to any agreement concluded pursuant to this Act to the extent only that such agreement assures to the United States a rate of duty on wheat flour produced in the United States which is preferential in respect to the lowest rate of duty imposed

by the country with which such agreement has been concluded on like flour produced in any other country; and upon the withdrawal of wheat flour from bonded manufacturing warehouses for exportation to the country with which such agreement has been concluded, there shall be levied, collected, and paid on the imported wheat used, a duty oqual to the amount of such assured preference.

(b) Every foreign trade agreement concluded pursuant to this Act shall be subject to termination, upon due notice to the foreign government concerned, at the end of not more than three years from the date on which the agreement comes into force, and, if not then terminated, shall be subject to termination thereafter upon not more than six months' notice.

(c) The authority of the President to enter into foreign trade agreements under section 1 of this Act shall terminate on the expiration of three years from the date of the enactment of this Act.

Sec. 3. Nothing in this Act shall be construed to give any authority to cancel or reduco, in any manner, any of the indebtedness of any foreign country to the United States.

Sec. 4. Before any foreign trade agreement is concluded with any foreign government or instrumentality thereof under the provisions of this Act, reasonable public notice of the intention to negotiate an agreement with such government or instrumentality shall be given in order that any interested person may have an opportunity to present his views to the President, or to such

agency as the President may designate, under such rules and regulations as the President may prescribe; and before concluding such agreement the President shall seek information and advice with respect thereto from the United States Tariff Commission, the Departments of State, Agriculture, and Commerce and from such other sources as he may deem appropriate.

Approved, June 12, 1934, 9.15 p.m.

PUBLIC LAW 130--79th CONGRESS

(Chapter 269--1st Session)

(H.R. 3240)

AN ACT

To extend the authority of the President under section 350 of the Tariff Act of 1930, as amended, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the period during which the President is authorized to enter into foreign trade agreements under section 350 of the Tariff Act of 1930, as amended and extended, is hereby extended for a further period of three years from June 12, 1945.

Sec. 2. (a) The second sentence of subsection (a) (2) of such section, as amended (U.S. C., 1940 edition, Supp. IV, title 19, sec. 1351 (a) (2), is amended to read as follows: "No proclamation shall be made increasing or decreasing by more than 50 per centum any rate of duty, however established, existing on January 1, 1945 (even though temporarily suspended by Act of Congress), or transferring any article between the dutiable and free lists."

(b) The proviso of subsection (b) of such section, (U.S.C., 1940 edition, sec. 1351 (b) is amended to read as follows: "Provided, That the duties on such an article shall in no case be increased or decreased by more than 50 per centum of the duties, however established, existing on January 1, 1945 (even though temporarily suspended by Act of Congress)".

Sec. 3. Such section 350 is further amended by adding at the end thereof a new subsection to read as follows:

"(d) (1) When any rate of duty has been increased or decreased for the duration of war or an emergency, by agreement or otherwise, any further increase or decrease shall be computed upon the basis of the post-war or post-emergency rate carried in such agreement or otherwise.

"(2) Where under a foreign trade agreement the United States has reserved the unqualified right to withdraw or modify, after the termination of war or an emergency, a rate on a specific commodity, the rate on such commodity to be considered as 'existing on January 1, 1945' for the purpose of this section shall be the rate which would have existed if the agreement had not been entered into.

"(3) No proclamation shall be made pursuant to this section for the purpose of carrying out any foreign trade agreement the proclamation with respect to which has been terminated in whole by the President prior to the date this subsection is enacted."

Sec. 4. Section 4 of the Act entitled "an Act to amend the Tariff Act of 1930", approved June 12, 1934 (U.S.C., 1940 edition, title 19, sec. 1354), relating to the governmental agencies from which the President shall seek information and advice with respect to foreign trade agreements, is amended by inserting after "Departments of State", the following: "War, Navy,".

Approved July 5, 1945.